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MN

Michael K. Olthoff

NPTA's New Chairman of the Board

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Cover Photo: Tourcotte

Merchants Expect Lower Growth In '91

Concern about the economy, energy costs, competition and customer needs make paper and plastics distributors cautious about the year ahead.

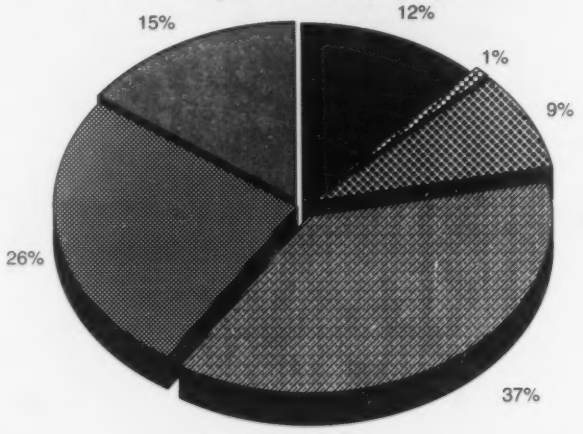
by William H. Frohlich, Publisher

Approximately three-quarters of those responding to the *Management News* magazine 1991 Business Conditions Reader Survey expect real growth in their regions (taking out inflation) to be less than 6% next year. Nearly half said it would be under 3%.These results (see Chart #1) show a downward trend from last year's prediction, when less than two-thirds of merchants told *MN* they expected 1990 to evidence real growth of up to 6%.

This is a significant shift in merchant outlook brought about by changing industry and world conditions.

MN's 1991 Business Conditions study was designed to give readers a first-hand view of industry perceptions. A mailed survey to a cross-section of 1,000 *MN* readers yielded 231 usable responses. Statistical analysis was performed by Healy & Associates of Portsmouth, NH, which reported that the response rate was sufficient to provide meaningful data.

Chart #1: NPTA MN SURVEY: 1991 Business Conditions Expected Growth In Region



Demographics of Respondents

The readers who responded to *MN's* survey accurately reflect the industry's make-up: 40% dual, 32% industrial paper, plastics and allied products, 24% printing paper and 4% identified as "other." Approximately two-thirds hold management positions, the rest sales.

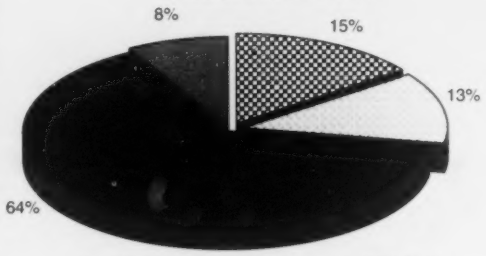
In terms of company size, half of the respondents work for companies with less than 50 employees, 29% in companies with 50-100 people and 19% for companies with more than 100 employees. Sixty-nine percent of respondents reside in the Northeast, Southeast and Midwest. These various demographic characteristics are very similar to last year's report and so comparisons may be made with the predictions readers offered in 1989.

How Confident Are They?

Last year, when *MN* asked how sure readers were about their predictions for the coming year, 81% gave a positive response. This year things are different.

Not only were the predictions lower for 1991 growth, but readers felt less confident that their "best guess" would come to be. As you can see in Chart #2, a little more than two-thirds of respondents are sure of their opinion. Com-

Chart #2: NPTA MN Survey: 1991 Business Conditions Respondent's Confidence In Predictions Of Growth



% of Respondents Rating: 1= Not Sure 10 = Very Sure

Not Sure (1-4) | Sure (6-8)
50/50 (5) | Very Sure (9-10)

pared to last year at this time, that is more than a 10% drop.

The interesting question to ask is "How accurate were readers' predictions last year at this time when we asked readers about 1990?" The answer to this will help predict whether this year's analysis holds any promise of accuracy.

According to George Cain, NPTA's director of research, "We are in an industry where 75 - 85% of our sales number reflects the cost of goods sold. Real growth is growth compared to changes in producer prices, not changes in general inflation rates. 1989 saw the end of a long period of producer price increases. Last year's estimates may have been based on expectations of continued producer price inflation, and these estimates proved to be too high. This year's lower estimates may reflect 1990's producer price changes, so they will likely be more accurate," he said.

"Through August, 1990, printing papers show less than 2% growth over a 2% decrease in cost of goods, for a likely net increase in volume of about 4%. 1991 may show a slightly lower rate, particularly if the economy sours. But printing papers have traditionally had a 2 - 4% growth rate after factoring out changes in producer prices.

"Industrial paper goods through August of 1990 show more of a slowdown, with minimal sales increases of .06%, combined with increases in producer prices of 1.2%, for a net decrease of about 1.1%. However, this is not much different than in the past, when sales increases in dollars generally reflected changes in producer prices," said Cain.

Another interesting difference

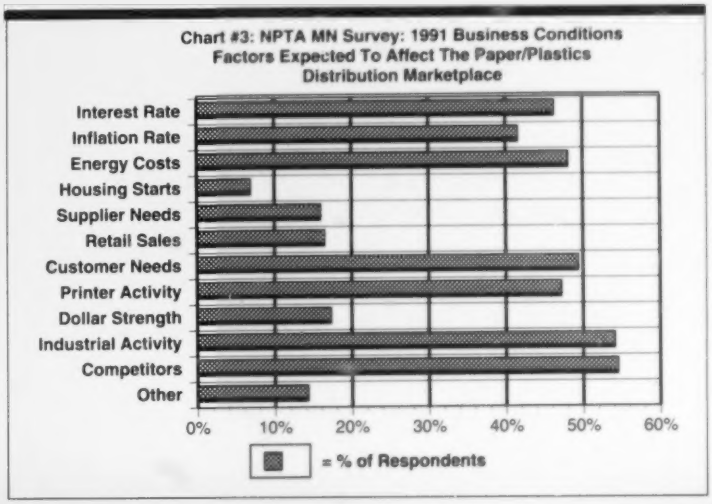
(Continued on page 14)

10 Things You Should Do In Tough Economic Times

by Dr. Albert D. Bates

$ Develop contingency plans that will enable you to cut expenses if sales fall 10%, 15% or even 20%.
$ Defer capital investments unless the hard dollar cost savings provide a payout in less than nine months.
$ Do not use short-term borrowing to finance long-term capital investments.
$ Identify where your competitors are weakest and attack them on this front.
$ Increase your spending on sales training. In a slow growth environment, market share management is essential.
$ Determine how much of a price reduction you can afford to make before you are better off passing on business.
$ Identify the top 20% of the accounts you deal with. Personally contact every one of them to help cement the business one on one. Don't rely solely on your sales force at this time.
$ Re-think sources of supply on daily purchases, such as office supplies. Warehouse clubs and office super stores offer some outstanding values if you shop.
$ Re-think the services you provide to customers. Are there some expensive services that customers don't really need? Are there some inexpensive services that should be provided? Is everybody smiling and saying thanks?
$ Maintain a positive attitude. Make sure everybody in the company understands the challenges but also fully appreciates the opportunities that can be won with a team effort.

(Dr. Albert D. Bates is president of Profit Planning Group, a financial management consulting firm based in Boulder, CO.)



between last year's survey and this one involves the forecast of those in management versus those in sales. Last year, sales people were more optimistic about the future than management was. Now, sales people are slightly less optimistic about the year ahead.

More Factors Will Affect Market

Readers also were asked to reveal what they maintained were the most influential factors likely to affect the marketplace in 1991. Respondents pointed to industrial activity and competition as the major factors. (See Chart #3.) Also of significant importance were customer needs, energy costs, printer activity and interest rates. Interestingly, last year's study also showed the importance

In Their Opinion

Here's a sampling of what survey respondents maintain are their greatest business concerns for 1991:

"There is an increased number of management people who do not understand our business. Harvard School of Business is what they understand, not the customer."
(A salesperson in a dual firm based in the Midwest)

"More and more businesses are on `thin ice.' Merchants must really scrutinize credit."
(An executive with an industrial paper merchant based in the Southeast)

"Mills are willing to franchise anybody anywhere, rather than adequately support good distribution."
(A salesperson in a dual firm based in the Midwest)

"Hopefully business will turn (for the better during) the second half of '91. However, we are making adjustments in our expenses to offset what appears to be a flat year ahead."
(An executive with a printing paper merchant in the Northeast)

"It could be a good year if competition wises up and quits selling everything on price. It think this has got to change."
(A salesperson in a dual firm based in the Southeast)

"The effects resulting from bank difficulties have only just begun."
(An executive with a printing paper merchant in the Northeast)

"There's a lack of loyalty to the merchant who works hard to provide information and service to the customer."
(A salesperson with a dual merchant based in the Southeast)

"Desperation-selling by weaker competition is a major concern."
(An executive with an industrial paper merchant based in the Southwest)

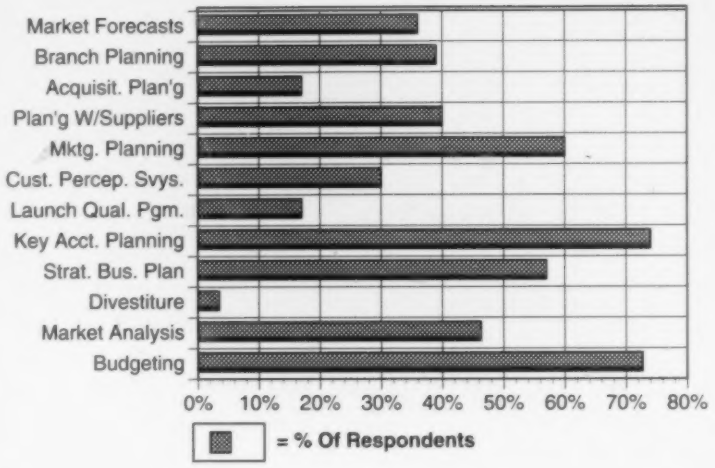
"Our organization is slow to react to market conditions."
(A salesperson with a dual merchant based in the Midwest)

"When the economy is slow, competitors do more price cutting, which results in lower gross profits."
(An executive with an industrial paper merchant in the Northeast)

"The cost of doing business has reached a level where we now have to evaluate each customer to determine whether it is profitable to continue an open account for those that only want to buy selected items or are small-order accounts. The problem we face is how do we identify the `emerging growth' clientele from the customer we choose to avoid."
(A middle manager with a dual merchant based on the West Coast)

"I hope that everyone talks optimistically! Pessimistic conversation can bring on pessimistic results!"
(A salesperson with a printing paper merchant in the Northeast)

Chart #4: NPTA MN Survey: 1991 Business Conditions
Areas For Concentration In 1991



of industrial activity and competition. However, merchants consider interest rates and inflation more important than they did last year.

The perception of the "partnership" approach to the marketplace--joining merchant with supplier--may be taking a back seat to other, more pressing problems.

Partnerships Take Back Seat

MN readers were asked to choose from a list of planning activities for the coming year to indicate how they would cope with 1991. (See Chart #4.) The leading activities for next year will likely be key account planning (up significantly from last year), budgeting, marketing planning and strategic business planning.

The interesting shift from last year's planned activities is that joint planning with suppliers dropped in significance. The perception of the "partnership" approach to the marketplace—joining merchant with supplier—may be taking a back seat to other, more pressing problems.

Although a slower growth rate is forecast by *MN* readers, the paper and plastics distribution industry will likely outpace the economy in 1991. Distribution, in general, has done so for the past 15 years, and paper and plastics distribution has been the second-fastest growing of all distribution categories during the period. There are shifts taking place in the economy and the industry. Although growth is expected to be slower, the industry is still healthy and strong. And that is something to write home about. ■

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Industrial Packaging Merchants Push Toward Higher Profits

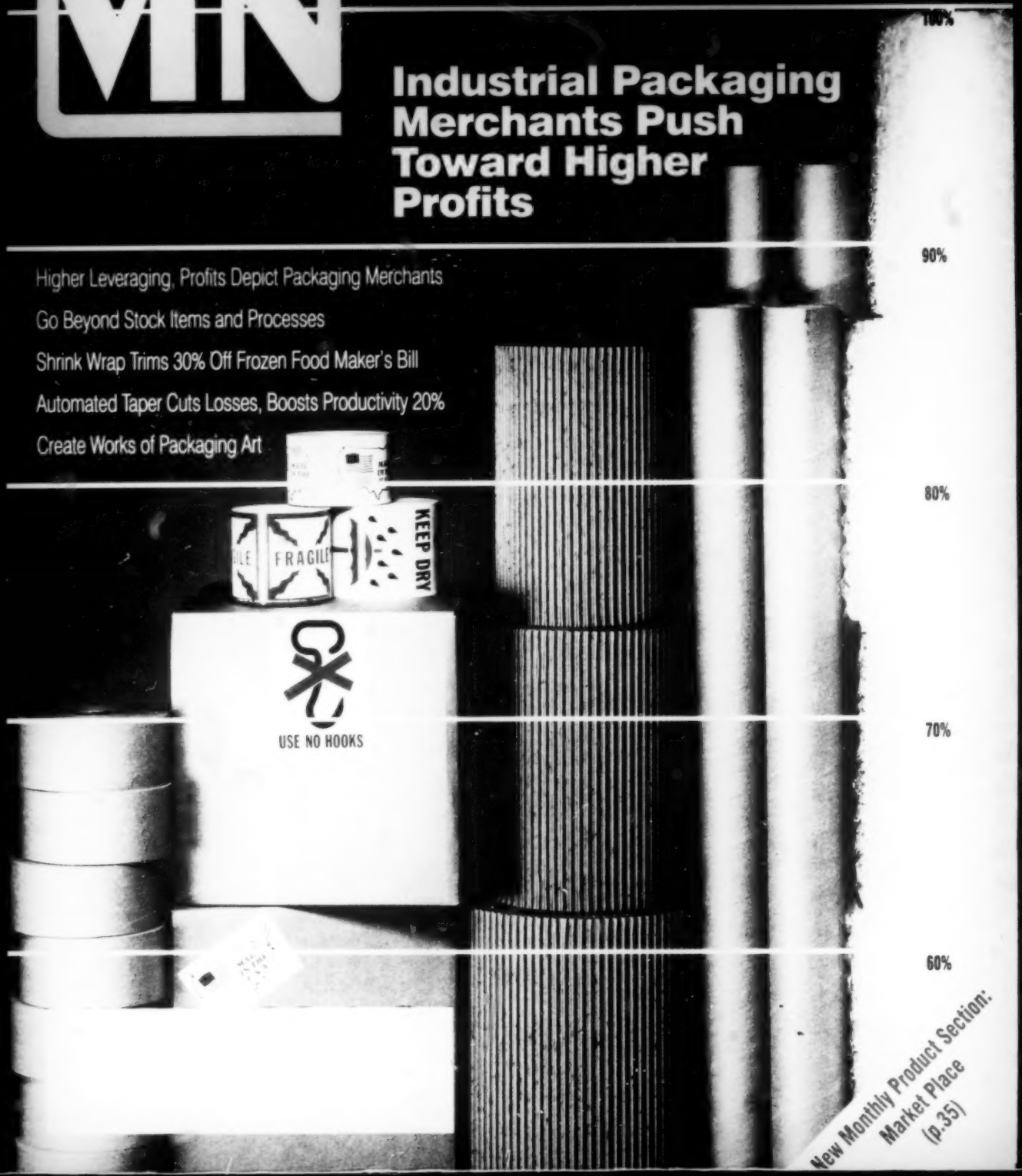
Higher Leveraging, Profits Depict Packaging Merchants

Go Beyond Stock Items and Processes

Shrink Wrap Trims 30% Off Frozen Food Maker's Bill

Automated Taper Cuts Losses, Boosts Productivity 20%

Create Works of Packaging Art



New Monthly Product Section: Market Place (p.35)

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Cover Photo: Richard Chesnut

Higher Leveraging, Profits Depict Packaging Merchants

PAR composite results reveal a difference between industrial packaging merchants and general line industrial merchants in terms of performance.

by George Cain, Director
Research & Statistics
NPTA

Packaging merchants perform differently than general line industrial merchants. They show more direct sales, higher earnings from discounts and lower handling costs. Statistics point to other characteristics, such as:

- Higher leveraging
- Higher profit before interest and taxes
- Poorer performance in collections and bad debt write-offs, and a mixed picture on other expense areas
- Lower office and delivery costs
- Higher administrative, storage and sales costs.

Industrial packaging merchants see themselves as different from general line industrial firms, and a review of three years' composite PAR results confirmed this view. Packaging merchants are the second largest industrial group in NPTA's annual PAR operating survey, with 1989 results covering more than 30 sales locations.

This *MN* review focuses on these areas of distinction, as reflected through ratios rather than absolute dollar expenses and through use of median performance measures. Medians indicate that more than half the merchants were above the listed amount.

Direct Sales Are Higher

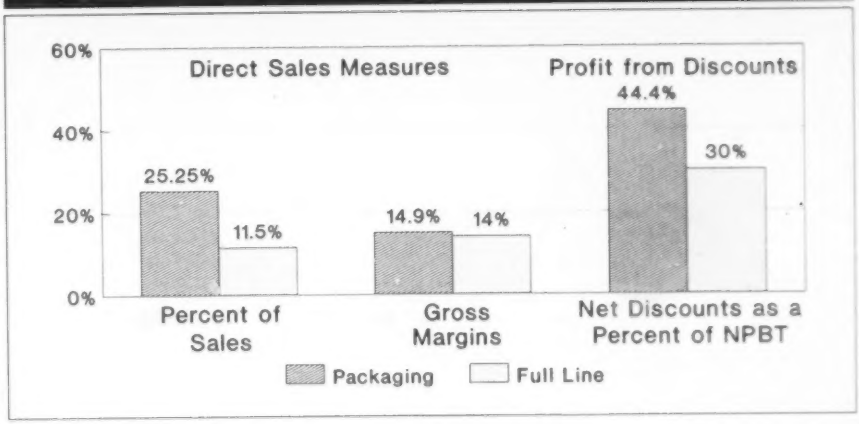
Median direct sales as a percent of total sales for packaging firms was over 25%, with general line industrial merchants showing a much lower median of 11.5% (See Chart #1). The particular percentages varied, but the pattern of higher packaging direct sales percentages held true over the three years reviewed (1988 through 1990, for operations from 1987 through 1989).

In addition, this higher percentage did not bring lower gross margins. On the contrary, packaging merchants had higher median direct gross margins. Direct margins for '89 were slightly higher than those for full-line industrial merchants (see Chart #1), while packaging direct margins for 1987 and 1988 were more noticeably above full-line direct margins.

These industrial direct sales figures show a long-term pattern of higher dependence on direct sales, compared to both total sales and as a vehicle for company profits.

Among industrial firms, only retail packaging merchants would typically depend more on direct sales for both sales and profitability. In 1988 the retail packaging median direct sales percent was over 37%.

CHART 1

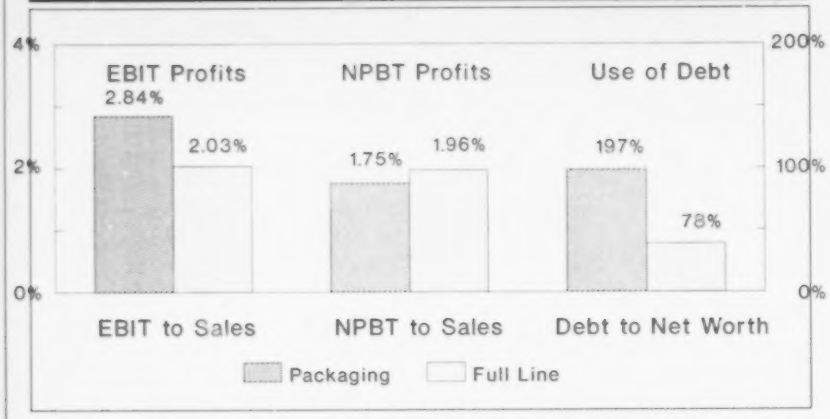


Discounts Produce Profits

Packaging firms in 1989 derived almost half their profit before tax from their management of discounts (see Chart #1.), compared to 30% for the median full line merchant. Discounts are available to firms in exchange for quick payment. And timely payment to suppliers has long been a profitability mainstay for distributors.

Distributors also give discounts to their customers who pay promptly. But typically fewer customers take advan-

CHART 2



tage of these discounts.

Industrial packaging merchants appear to use the combination of these discounts to its maximum. In 1987 they were also the heaviest users, although in 1988 there was no noticeable difference when compared with full-line merchants.

EBIT Profits Are High

Earnings before interest and taxes (EBIT) can help assess operating performance separate from issues about how the firm's operations are financed (borrowed money versus invested capital). For 1989 operations, PAR included a measure on EBIT as a percentage of total sales. Packaging merchants' median performance of 2.84% was substantially higher than the 2.03% median for full-line merchants. (See Chart #2.) A comparison with the traditional net profit before taxes measure illustrates the impact of borrowed money for packaging merchants. On this gauge, packaging medians were 1.75%, lower than the 1.96% full-line medians.

Not surprisingly, leveraging (working on borrowed money) was especially apparent for packaging firms in 1989. Their total debt to net worth was 197% compared to full-line merchant medians of 78%. (See Chart #2.) And the relative difference was even higher for medians on current debt to net worth.

Reliance on debt is not by itself an indication of profitability or lack of profitability. But the 1989 EBIT to sales performance figures do confirm that borrowing money for operations can improve operating profits noticeably. This use of borrowed money may well be one reason packaging merchants were able to produce such dramatic performance on the handling of discounts discussed in the previous paragraph.

Collections Were Lower

Packaging firms performed poorly in the category of average collection days and bad-debt write-offs compared with full-line firms for the past three years. In 1989, the median for average collection days for packaging was 36.3 compared to the full-line 32.5.

Moreover, the packaging median for bad debts as a percentage of sales was .17%, almost 50% higher than the full-line median of .12%. This performance may be one of the reasons for packaging firms' reliance on borrowed monies for operations, as they have to wait almost four more days to receive payment from their customers.

Expenses Were Lower

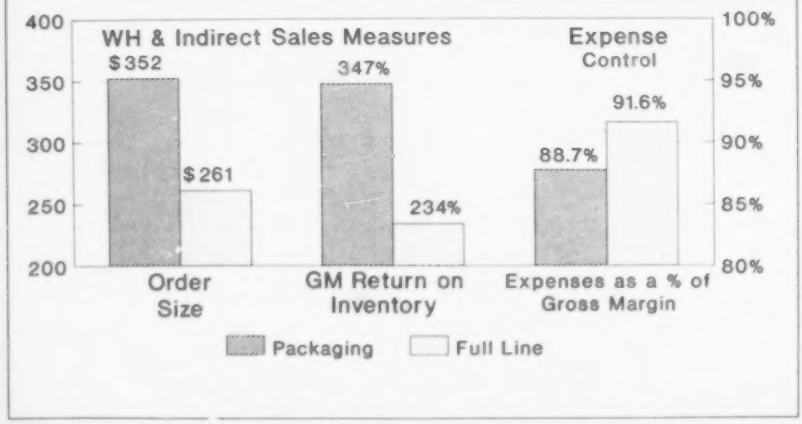
Medians on several expense measures show an advantage for packaging firms for the past three years. For packaging distributors in 1989, the total operating expenses as a percent of gross margin median was 88.7%, substantially lower than the full-line median of 91.6%. (See Chart #3.) Strong expense performance areas for packaging firms include handling, delivery and office costs. Comparative 1989 expense area percentages of gross margin were:

Expense Area	% of Gross Margins	
	Packaging	Full-Line
Total Expenses	88.7%	91.6%
Handling	8.5%	9.4%
Delivery	12.5%	14.1%
Office	9.4%	10.2%

These expense patterns have been relatively consistent over the past three years, as have some expense area medians which showed full-line merchants with lower ratios than those for packaging merchants. The only ratio with substantially lower packaging performance is for storage, which is the non-person-

(Continued on next page)

CHART 3



(Continued from page 19)

nel cost related to the warehouse. 1989 numbers were as follows:

Expense Area	% of Gross Margins	
	Packaging	Full-Line
Storage	7.9%	5.5%
Administrative	16.1%	16.0%
Sales & Sales Service	39.3%	39.1%

Warehouse Is Strong

Packaging merchants may very well rely on managing their warehouse and indirect sales business for much of their profit, despite the earlier discussion about profits from industrial packaging direct sales. Most PAR median measures related to warehouse and indirect sales reflect an advantage for packaging merchants over full-line firms.

Chart #3 lists two 1989 measures showing especially dramatic differences. The first, the average order size, is especially notable as packaging margins have typically been at or above those of full-line merchants. The second, gross margin return on inventory, reflects the combined impact of margins and the number of inventory turns. Both of these measures show dramatic advantages for packaging firms. ■

Go Beyond Stock Items and Processes

by Pete Wendt, Industrial Sales Manager,
Butler Paper Co.,
Menomonee Falls, WI

Butler Paper's Wisconsin Division has been involved in a number of unique and challenging packaging applications in the past two years. Most of these are simply a result of applying our philosophy—doing what is right for the customer by providing the correct and most cost effective materials available.

Even though a wide range of materials is accessible to us as a distributor, there have been numerous opportunities to provide packaging solutions that are not within the traditional "stock" lines. In those cases, we have gone through the research, development and testing of packaging to meet our customer's needs.

In one such application, a component part manufacturer to the appliance industry had been wrapping thousands of parts per week in packaging foam surface protection, only to have the end-user dispose of the foam. Due to local restrictions imposed on the end-user, it became imperative that our customer eliminate this material from their packaging.

After a series of meetings, we proposed a reusable wrap, composed of a chipboard carrier laminated to an ultra lightweight synthetic fabric. Both components were readily available but had not been used together in this fashion.

Because the customer wished to purchase this material on a per-piece basis, we provide both the chipboard and fabric from their respective mills to a laminator and then to another converter to be sheeted or die cut.

All costs for the project are consolidated by Butler and billed to the customer on a per-piece basis. The end result is a cost savings, based on a per-use basis, of more than 50% for this customer. And the amount of scrap packaging material is reduced at the end-user level.

In a similar project, a maker of high quality shoes wanted to upgrade their package quality to reflect the excellence of their product. Although a number of setup box manufacturers existed in the area, none could accomplish the "look" that was desired.

Once we became involved, it was obvious to us that the solution required a series of separate processes to achieve the final package. To this end, a paper supplier with the appropriate sheet was found. This sheet was embossed and foil-stamped at a specialty printer, then sent to a setup box converter to be laminated and converted to a two-piece shoe box.

(Continued on next page)

Industrial Packaging Products
(This is a partial list of products for industrial packaging use.)

- Aircap (bubbles)
- Anti-Static Packing Products
- Cushioned Bags
- Chipboard/Indented Chip/Corrugated Board
- Corner Protectors
- Desiccant
- Dunnage/Pelaspan
- Drum Liners
- Foam Wrap
- Aluminum Foil
- Tapes and Dispensers
- Hot Melt & Spray Adhesives
- Instapak Foam-In-Place
- Kraft Papers
- Labels and Dispensers
- Carton Forming and Sealing Equipment
- Boxes
- Packing Newsprint
- Protective Pads
- Indented Bogus
- Polyethylene Foam Rolls, Sheets and Specialties
- Polyurethane Foam Rolls, Sheets and Specialties
- Packaging Film
- Liners
- Masking
- Envelopes
- Flame Resistant Papers
- Military Specification Materials
- Packaging Systems
- Pouchpapers
- Pressure Sensitive Tapes
- Release Papers
- Rust Inhibitors
- Skid and Pallet Covers
- Skin Packaging
- Strapping
- Tissue Paper
- Tubes and Tubing
- Twine and Cordage
- Wadding
- Waterproof Papers
- Wrapping

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Mills Quicken Pace of Wastepaper Usage

Manufacturers will increase their usage of wastepaper to 7.2% per year over the next three years, according to the new API capacity survey.

Making progress on its goal of recovering 40% of all paper consumed by 1995, the paper industry plans to expand total wastepaper consumption at a pace averaging 7.2% per year over the next three years. That's an increase from the 5.9% average annual growth rate projected last year for the 1989-1992 period.

In its annual capacity report, the American Paper Institute reveals that consumption of wastepaper at U.S. mills, led by old newspapers and mixed papers, is now growing at a rate more than twice that of all other fiber sources. By 199? paper is expected to reach 29.3% fiber consumed at domestic mills.

To achieve this growth in wastepaper consumption, pulp, paper and paperboard firms are investing in new recycling facilities, which will increase consumption of wastepaper by more than 5 million annual tons over the period reported.

In 1993, if mills operate at full capacity, 27.1 million tons of wastepaper will be processed and used to manufacture new paper and paperboard. Additional recycling projects could result in even higher levels of waste paper consumption.

The mills' recycling efforts is good news for the industry and its customers, comments John Buckley, president of NPTA. However, regulations must be eased to quicken the pace of installation. "The recycled capacity increases announced in API's study are significant, market-justified and socially responsive. A maximum development of recycling facilities is a key element in the future plan."

"But the entire industry needs to work together towards simplifying and reducing the mounting government regulation required for building and locating these facilities," he notes.

$82 Billion Invested Over 10 Years

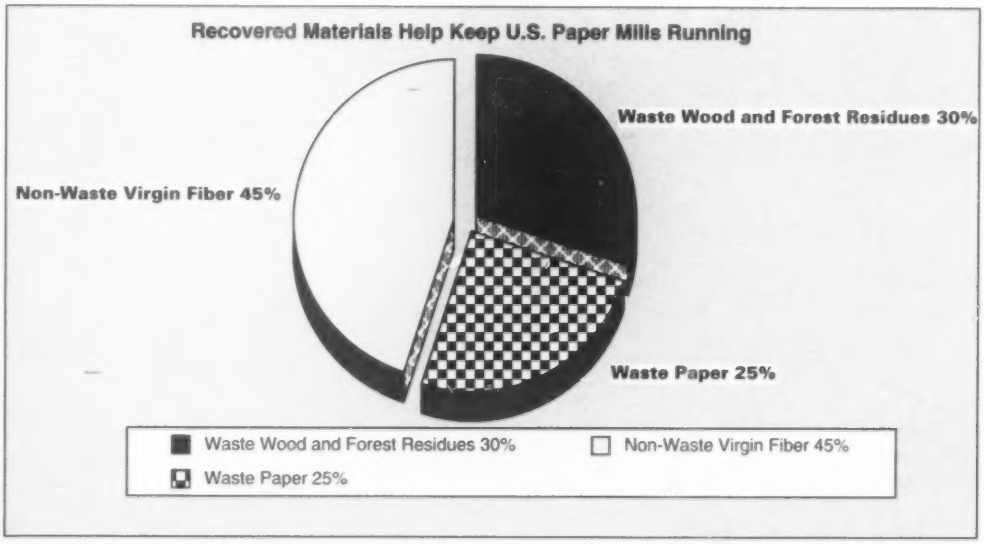
Mills continue to modernize older plants and/or invest in new facilities. According to the survey, by 1989 more than 60% of all primary manufacturing plants had been newly installed or significantly upgraded within the past 10 years. This represents a total capital outlay of more than $82 billion from 1980-89. Net gains in manufacturing capacity during this period include 16 million annual tons for paper and paperboard and 13 million tons for wood pulp.

Capacity for paper and paperboard is expected to increase this year by 1.88 million tons, or 2.3%, to reach 84 million tons, the survey goes on to say. Expansion projects—18 new paper machines, including 10 designed to utilize wastepaper—should yield 7.4 million additional annual tons of capacity over the next three years. This represents a rate of increase in capacity averaging 2.9% per year.

Fine Paper Grades Reach 2.5 Million Tons

Expansion of printing and writing paper grades

(Continued on page 18)


Recovered Materials Help Keep U.S. Paper Mills Running
Waste Wood and Forest Residues 30%
Non-Waste Virgin Fiber 45%
Waste Paper 25%
Waste Wood and Forest Residues 30%
Non-Waste Virgin Fiber 45%
Waste Paper 25%

should be consistent with what has occurred in the past. Capacity growth should average 3.4% yearly. And the industry total should grow by 2.5 million annual tons to reach 26.4 million tons in 1993. Five new paper machines are scheduled to be brought on-line this year and in 1993.

"Suppliers are to be commended for their continued expansion of the industry in light of the near term economic conditions," NPTA's Buckley observes. "The increase of printing and writing grade will add significant tonnage to the marketplace."

On the unbleached kraft paper front, the permanent shutdown of several small older machines will offset capacity increases from a new machine that was launched late last year. Overall, capacity should dip slightly to an annual level of 2.7 million tons in '93. Rising imports and new output of recycled kraft paper will fill the increase in demand for kraft grocers bag and sack papers.

After a 3.1% capacity jump in 1990, tissue producers will add 373,000 annual tons of new capacity over the 1991-1993 period. These additions will yield a 2% annual average rate of increase. This continues a long-term growth trend that has averaged 1.9% annually over the previous 10 years.

Containerboard Jumps 2.8%

During the next three years, capacity for all containerboard products (except solid bleached linerboard) will grow by 2.4 million annual tons—from 28.2 million tons in '90 to 30.6 million tons in '93. This gain represents a 2.8% yearly increase rate, close to the grade's historical annual rate of 2.7% over the past decade.

Capacity for recycled linerboard, made exclusively from wastepaper (or with a high wastepaper content) is expected to swell at a high annual rate of just over 39%—reaching 1.4 million tons in 1993.

As for solid bleached paperboard, the start-up of a new paper machine and other improvement projects will add 670,000 annual tons of new capacity over the three-year period. This will yield a 4.6% annual average rate of increase, according to the report.

Capacity for recycled folding boxboard and other consumer and industrial grades is expected to escalate 4.2% from now through '93. More wastepaper is consumed in the manufacture of these recycled paperboard grades than in any other product in the industry, the API study points out. Last year, these grades accounted for one-third of all wastepaper consumption. ■

Copies of the survey are available from API for $350 each. Write Capacity Survey, Department CMS, American Paper Institute, 260 Madison Ave., New York, NY 10016; 212-340-0600.

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Quick Printers Allot 50% of Budget to Paper

In the country's quick print shops, six of the top 10 buys in terms of dollars last year were paper-related, according to an industry survey.

Quick printers spent almost half of their budget last year on paper stock.

Among the top 10 purchases in terms of dollars, paper occupied six of the positions. Uncoated offset paper ranked second only to health insurance in 1990 average dollar purchase—$10,250, up from $7,504 in 1987. (See Chart #1, this page.)

This is only some of the information gleaned from the "1990 Supplies & Services Survey" conducted by *Quick Printing* magazine. A copy of the report was obtained by *Management News*. The study is based on questionnaires returned by 226 printers and updates research that was conducted in 1987.

Of the $128,685 quick printers spent on 48 items in 1990, an average of $63,609 was earmarked for paper, according to the 1990 results. In addition to the $10,250 spent on uncoated offset, these shops on average bought:

- $9,532 worth of bond paper
- $9,400 worth of copier papers
- $7,293 worth of text papers
- $7,053 worth of coated offset paper
- $6,332 worth of carbonless paper.

The other three positions in the top 10 purchases were held by three brokered items: business forms, business cards and wedding/social stationery.

In terms of those supplies most frequently purchased, not too surprisingly, paper ranked at the top. Indeed, 100% of the respondents indicated that they purchase bond paper, while 99% said they bought uncoated offset papers, cover stocks and unprinted envelopes. Ninety-eight percent purchase carbonless papers, 95% purchase text papers, while 89% purchase copier papers.

Pressroom supplies also ranked high among those items most often purchased, the survey reveals. Blankets, ink, press/blanket wash and fountain solutions were four items bought by 99% of respondents.

CHART #1

Dollar Purchases by Ranking

Rank	Item	1990 Average Dollar Purchase	1987 Average Dollar Purchase
1.	Health Insurance	$11, 271	$5,425
2.	Uncoated Offset Paper	10,250	7,504
3.	Bond Paper	9,532	13,428
4.	Copier Papers	9,400	7,310
5.	Business Forms	7,838	11,418
6.	Text Papers	7,293	4,759
7.	Business Cards	7,222	6,985
8.	Coated Offset Paper	7,053	4,369
9.	Carbonless Paper	6,332	5,403
10.	Wedding/Social Stationers	5,384	4,665

Source: "1990 Supplies & Services Survey," *Quick Printing* Magazine

Expansion on the Horizon

Quick printers number in excess of 35,000, according to a 1989 study entitled "Quick Printing: An Industry Overview" by Rob Schweiger, founder of *Quick Printing*. In virtually every study conducted by the magazine, the majority of respondents said they expected to expand in the future. Such growth usually was fueled by plans to either add another location or by increasing the square footage at their existing shop.

Just what makes a quick printer? In 1978, the National Association of Quick Printers defined the industry as "that segment of the commercial graphic arts which features equipment and facilities capable of providing while-you-wait service for reproduction of jobs for 1,000 or less copies which require no preparation. It includes copying, duplicating and printing on paper sizes up to 11" x 17", usually in black ink."

However, customer demand is changing how a quick printer operates. Quick printing certainly is no longer just "while-you-wait," according to the industry overview. A majority of jobs are those that are left by the customer, to be picked up either the next day or several days later.

As desktop publishing systems

become further ingrained in our business culture, there may be a return to while-you-wait service as more and more customers bring in their PC-generated disks to run out on higher quality, more sophisticated laser printers.

Furthermore, quick printing is no longer limited to 1,000 or less copies, Schweiger continues. In fact, a substantial number of orders received in quick printshops are far in excess of 1,000 copies.

Black printing on white paper still remains the basic job for the quick printshop. The trend toward producing more and more of this type of work on high speed copier/duplicators rather than on offset presses should continue.

Plus, the basic black ink type of job is no longer the bread and butter of a quick printshop. Color copying and color printing are two definite trends of the future for this industry.

The median shop produces about $250,000 in sales per year, according to the 1989 study.

Experienced Hands Needed

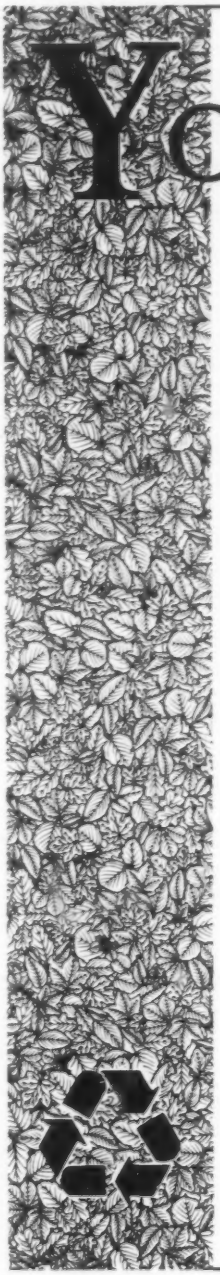
Finding experienced workers is quick printers' number one concern, the overview states. According to one respondent, "The massive push for more outlets by all major franchisors has diluted the quality of owners and workers alike. The misapprehension is that printing is an easy field. It certainly is not that! Additionally, there are insufficient quality workers to man this added expansion."

Consequently, merchants may be wise to offer their expertise in printing and paper selection as a value-added service to these customers.

Schweiger's overview forecasts several trends, among them are:

- **Run lengths:** Many quick printers will abandon the short-run market—500 copies or less—to in-house copiers. Expect this trend to continue unless quick printers themselves start using laser output devices and other forms of desktop publishing to retain this portion of the market. Seventy-one percent of quick printers in a *Quick Printing* magazine study reported that run lengths in their shop had changed

(Continued on next page)



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over the past three years. In fact, many quick printers see a stabilization of average run lengths at 5,000.

■ **Color:** The demand for two-color printing is already here today, and quick printers have captured a large share of that market from the commercial printer. It will continue to increase dramatically. This move to two-color work is both customer-driven, as well as being fueled by suppliers with better duplicator presses.

Quick printers are even capturing more high quality color quick printing. By and large, this has been abandoned by the large commercial printers, the overview observes, because they are not equipped to do this type of short run, fast turnaround work.

■ **Black-and-white printing:** Black printing on white paper still remains the basic job for the quick printshop, primarily run on 8 1/2" x 11", 20lb. bond paper. The trend toward producing more and more of this type of work on high speed copier/duplicators rather than on offset presses should continue.

■ **Electronic facsimile:** Electronic facsimile is sweeping the quick printing industry, as well as the general business community. Virtually all suppliers in the quick printing industry have fax units, and a growing number of quick printers and their customers are adding them as well.

■ **Forms:** Manufacturers already are marketing forms presses to quick printers. The apparently insatiable demand by customers will force quick printers to provide more forms work, the study predicts. As quick printers continue to add desktop publishing capabilities, they will generate more forms origination.

■ **Four-color printing:** There has always been a void in the short-run color process market. Finally filling that void is the quick printing industry, the overview states. The real market for process four-color printing for the quick printer will be in "pleasing color," not "matched color." "Pleasing" color means you do not make the drapes in the ad an exact shade of blue; the meat in the hamburger the exact color of meat; the lipstick an exact red. New technology brings in the fast, low-cost market first. Then it moves to fast, quality later. ■

For More Information...

The 1990 *Quick Printing* magazine "Supplies & Services Survey" is available for $59.95. Contact Bonnie deCuba, circulation department, Coast Publishing, Inc., ZedCoast Center, 1680 S.W. Bayshore Blvd., Port St. Lucie, FL 34984; 407-879-6666. Information on "Quick Printing: An Industry Overview" is available from Coast Publishing at the same phone number.

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GREEN MARKETING, GREEN PROFITS

- GREEN MARKETING SOLUTIONS
- GUIDE TO ENVIRONMENTALLY RESPONSIBLE PRODUCTS
- GUIDE TO RECYCLED PAPERS
- ENVIRONMENTAL LEGISLATION
- NEW PRODUCTS

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This issue takes an in-depth look at the "Green Revolution." Several key aspects of this topic are brought into sharp focus.

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Body Stock: 60lb REC-Gloss – REPAP

COVER PHOTO: RICHARD CHESNUT

INDUSTRY WATCH

James River Plans Consolidated Plant In Kalamazoo, MI

James River Corp.'s Food and Consumer Packaging Business, Cincinnati, OH, plans to establish a consolidated paper packaging manufacturing operation in the Kalamazoo, MI, area. The company announced earlier its decision to close five paper packaging plants in three states, three of which are in Kalamazoo, and to develop a consolidated operation.

Robert J. Turnen, vice president, general manager of the Paper Packaging Division, said that the decision to remain in the Kalamazoo area was primarily the result of an agreement with employees and the United Paperworkers International Union (UPIU). This is in line with the working principles agreement between the company and the UPIU. The result will be an organization which is very flexible, customer focused, productive, and competitive, according to Mr. Turnen.

The expansion will be completed by year end. The plant will produce a broad line of food service products including deli wrap, meat wrap, sandwich wrap, hot dog trays, parchment papers, plus wax and polyethylene-coated papers.

Mr. Turnen explained that the purpose of this consolidation is to increase customer and consumer focus with a more responsive and productive organization. "We plan to move like a small company while utilizing the significant resources of James River," he related. "These include the technology and resources of our flexible, carton, paperboard, and paper packaging groups." To further focus on customer satisfaction and a total quality ap-proach, the new facility will develop high-performance work systems which will utilize the skills of approximately 200 people currently employed in Kalamazoo/Parchment operations.

Printers Foresee Mid-Year Upturn

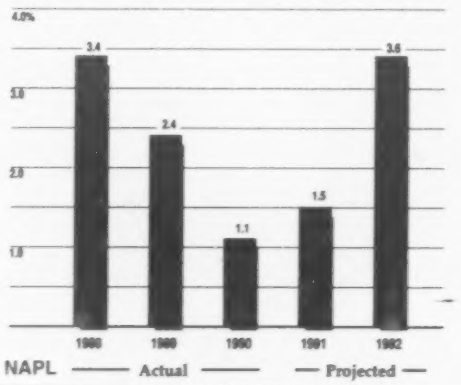
The National Association of Printers and Lithographers (NAPL) reports that conditions in the printing industry should improve after mid-1991.

The past 18 months have been particularly tough for commercial printers, according to NAPL. Real growth declined from 2.4% in 1989 to 1.1% in 1990, it was noted. Although still in the doldrums, net growth increase for 1991 should be 1.5%, most of that coming in the second half of the year, NAPL stated.

The good news is that 1992 looks even better, the association declared. Real growth for commercial printers should reach 3.6%—even ahead of 1988 growth levels, NAPL reported. Print sales for next year should reach $66 billion, up from $61 billion this year, the association added.

Chart A — Real Commercial Printing Sales Growth: 1988 to 1992

Percent change over previous year, adjusted for inflation.



Source: NAPL — Actual — Projected —

Briefly Noted...

MF International Trade, Inc., has expanded. The firm, which has its main office in New York, has added another office in San Mateo, CA...**The. APDA Group (American Paper Distributors Association),** in a dual relocation, has moved its corporate office to Bonita Springs, FL, and its national sales office to Bensalem, PA. Harris Feinberg is APDA's new group coordinator....**Kelly Paper** has been named a Crane Paper distributor in the California, Arizona, and Nevada paper store market....**Bedford Capital,** by way of correction, reported an error in the December issue of MN. It was stated that the assets of the Ziff Paper Co. were purchased by RMA/Kolko Corp. In fact, the assets were purchased by Conestoga Acquisition Corp., which has some common shareholders with RMA/Kolko Corp.

NAW Opposes New Leave Act

Asserting that "employers need flexibility now more than ever to respond to the needs of their workers," the National Association of Wholesaler-Distributors (NAW), has urged the Senate to reject S.5, the Family and Medical Leave Act.

NAW's opposition to the legislation was contained in testimony before the Subcommittee on Children, Family and Alcoholism of the Labor and Human Resources Committee.

According to NAW's testimony, the industry's opposition to the Family and Medical Leave Act is based on the belief that government should not have the power to mandate benefits and their costs whether or not employers and employees want them.

"Worker's needs are as diverse as the workers themselves," commented Mary Tavenner, NAW senior director-government relations. "Public policy should not dictate one group's benefits at the expense of another's. The debate over the Family and Medical Leave Act is about Freedom of Choice."

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NPTA MANAGEMENT NEWS

MAY 1991

MN

CENTRAL WAREHOUSING...IS IT THE ANSWER FOR MULTIBRANCH DISTRIBUTORS?

FOODSERVICE: A LONG-TERM GROWTH AREA

PAPER MERCHANTS AND THE FAST FOOD RESTAURANT

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The program gives IBMers and their distribution customers an opportunity to review the latest hardware and software of the largest computer company in the world.—*by William H. Frohlich*

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COVER PHOTO: RICHARD CHESNUT

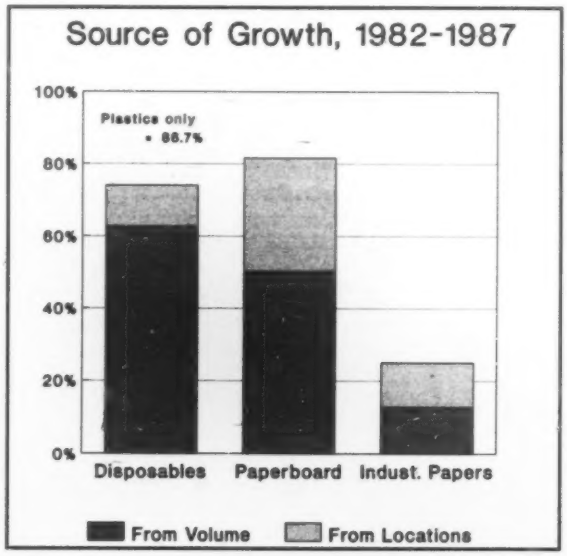
FOODSERVICE: A LONG-TERM GROWTH AREA

Will Paper Merchants continue their growth in this market?

By George Cain
Director of Research,
National Paper Trade Association, inc.

Foodservice products provided the fastest single growth area for industrial paper merchants during the 1980s. The current economic downturn has slowed the growth of foodservice product sales (as well as other industrial product sales). When the downturn ends, though, foodservice products should provide potential for growth in the 1990s as they did during the 1980s.

Foodservice business has grown as the United States has shifted its economy towards service businesses and changed its dining patterns. The population is more dependent on eating out, there is increased use of custom prepared foods, and non-family congregate dining settings, such as retirement residences, are much more common. Excluding economic downturns, these changes in the economy are likely to continue during the 1990s and will produce continued growth in foodservice product usage.



This article focuses on characteristics of the growth of paper merchant foodservice product sales during the 1980s, and is based on statistics used in NPTA's new *Paper Distribution DataSource* book and the composite results of NPTA members' use of a free annual operating survey called PAR (for Performance Analysis Report). Foodservice specialists' PAR results indicate future sales increases and profitability may depend on use of new technologies such as EDI and bar coding.

FOODSERVICE FAST GROWTH

Foodservice disposable and related items showed the highest growth rate from the 1982 to the 1987 operations). Census data are probably the most dramatic, as shown in the graph (this page). The census includes five subcategories of industrial "paper" products. Two of these, disposable plastics and disposable paper products such as paper plates, include the majority of foodservice disposable products.

Disposable plastics had the single highest 1982-1987 increase at 86.7%; even combined with a drop in disposable paper products, the primary foodservice product areas had a composite increase of 74.0%. Perhaps more important, most of this increase was from increases in volume rather than increases in the number of sales locations. On the other hand, paperboard and boxboard had a higher 1982-1987 growth rate, but over a third of the growth came from increasing sales locations rather than sales volume. For this analysis, increases from sales locations were based on 1982 sales per location figures for the 1987 number of sales locations, and volume increases were what remained.

NPTA's composite PAR statistics show these higher increases continuing through 1989, with foodservice specialists with the highest sales increases for 1987, 1988, and 1989 (1990 foodservice specialist sales changes are not yet available). For example, in 1989 when one out of six industrial PAR filings was for foodservice specialist sales, the median sales change for foodservice specialists was 12.7%, compared to the overall industrial merchant median of 9.2%. Most of the following discussion emphasizes median performance (half the firms scored higher, half scored lower). Some measures listed or summarized also reflect values for lower quartiles (one fourth of the firms had lower scores) or upper quartiles (one quarter of the firms had higher scores).

OTHER FOODSERVICE FIRM CHARACTERISTICS

In 1990 (for 1989 operations), the average size of filing foodservice specialists was similar to the average size of all filing industrial merchants. However, performance on a number of measures was noticeably different, including performance on the core pre-tax profit model ratios of profit to sales, profit to total assets and profit to net worth.

Foodservice specialists had a lower median profit-to-sales figure than the

total industrial merchant group, and poorer quartile performance. Their ROTA performance was similarly lower than for the total industrial group. Their RONW performance, however, was considerably higher for the median and upper quartile groups.

This higher RONW performance reflects higher leveraging of assets. One ideal source would have been from higher inventory turns, but this was not the case for foodservice specialists. Two others could have been from handling of receiveables and earnings from discounts for prompt payment, but neither was the case for 1989. Foodservice leveraging in 1989 was basically from higher use of debt.

	LQ	Median	UQ
Profit To Sales			
All Industrial	.67	1.86	3.46
Foodservice	.39	1.66	2.56
Profit To Assets			
All Industrial	2.13	7.41	13.77
Foodservice	1.14	7.27	10.65
Profit To Net Worth			
All Industrial	5.83	16.81	29.88
Foodservice	5.75	22.33	63.07

LQ - Lower Quartile
UQ - Upper Quartile

Performance on gross margin and average order size measures was mixed. The median average direct order size for foodservice specialists was twice that of either full-line merchants or industrial manufacturing specialists, and the upper-quartile direct order size was almost three times larger. Median and upper quartile foodservice direct gross margins were lower (logically), but not as much lower as might be expected with the dramatic differences in direct order size. Combined warehouse and indirect sales order size finds foodservice specialists well ahead of full-line merchants but trailing industrial packaging specialists. Combined warehouse and indirect margin measures show foodservice specialists slightly behind both other subgroups of industrial merchants.

Sales department performance of foodservice specialists surpassed the general industrial performance on almost every measure. Sales and gross profit per sales department employee was higher, and sales department expenses consumed less of the gross profit.

Performance on expense control measures aside from the sales department shows a much less favorable picture. Administrative and office expenses as a percent of gross margin are slightly worse than the other industrial groups, but it is in warehouse and delivery where the foodservice specialists really differ from other merchants. Storage expenses (nonpersonnel warehouse costs) consumed the highest percentage of gross margin, as did the combination of warehouse and delivery expenses. Realistically, this likely reflects the lighter weight of foodservice items and a basic characteristic of foodservice product selling.

One way to attack these expense areas would be to dramatically increase warehouse turns; another would be to develop such high levels of automation in the warehouse or delivery areas that personnel costs could somehow be dramatically reduced. The merchant who can actually do any one of these should be happy, and the merchant who could accomplish both should patent the method, as that merchant's firm could afford to grow vigorously and dramatically expand its market share. EDI (electronic data interchange) and bar coding are probably the only real sources of such dramatic changes, and these have been slow in coming to the paper distribution system.

Summary

Foodservice business is a specialty business within the overall industrial paper merchant arena. Sales increases have consistently been higher than other industrial paper product groups, and offer continuing possibilities of high sales increases for the 1990s. Profitability on foodservice products seems to have depended on leveraging of borrowed money. Asset management techniques could help increase profitability through improved handling of receivables and/or improving the return available from quick payment discounts.

Dramatic improvements in profitability, however, could require breakthroughs in the areas of inventory turns or automation of warehouse and delivery functions. The combination of EDI (electronic data interchange) and bar coding probably offers the possibility of such dramatic changes.

Paper Distribution DataSource

The Commerce Department statistics used for this article are based on 1987 and earlier Wholesale Census studies. These studies were a primary source for a new NPTA publication, *Paper Distribution DataSource*, Market Research for the Paper and Plastics Industry. This 200+ page book, providing data about both industrial and printing paper merchants, was designed to recap, analyze, and make useful the most relevant parts of the volumes of statistics contained in the census studies. For further discussion of such areas as industrial merchant growth and grocery wholesalers, contact NPTA and purchase a copy of the new publication, *Paper Distribution DataSource.*

PAR (Performance Analysis Report)

NPTA statistics are based on industry summary data from foodservice specialist paper merchant firms' use of NPTA's free annual operating survey, the PAR, short for Performance Analysis Report. Foodservice specialist firms' data isolates some characteristics of successful foodservice marketing, whether done in specialist firms or in "full-line" firms (firms that sell all categories of industrial paper products). Member foodservice firms that use PAR receive more information than could be included in this article, and full-line industrial firms that use PAR also receive summaries of the performance of all filing industrial specialist groups. For further information about PAR or for help in filing for PAR, contact NPTA's research department; telephone (516) 829-3070. MN

PAPER MERCHANTS AND THE FAST FOOD RESTAURANT

Measurable, consistent delivery of service is the key factor in determining who gets the business at fast food restaurants. Total Customer Satisfaction should be the goal of every Paper Merchant.

by Denis F. Healy,
president,
Healy & Associates

In the 1990s, fast food restaurants will demand even higher levels of service than they receive today. As someone once noted, "There's almost an insatiable appetite for service. Nobody ever says you have given me all the service I want. " Everyone in the channel of distribution is seeking ways to squeeze time and cost out of their operations and trading relationships. At the same time, they are aggressively trying to: **(1)** devise value-adding products and services; **(2)** segment markets more effectively, and **(3)** secure strategic alliances with channel partners.

It is impossible to isolate service and quality issues from any aspect of a transaction, from initial contact to followup. Today and into the future, service and quality expectations will become more encompassing and more stringent as accounts seek to optimize their sourcing relationships and as competitive forces come into play. This is particularly apparent in the fast food restaurant sector, where Paper Merchants are continually challenged by aggressive Foodservice Distributors who offer "one-stop shopping," and specialized Cleaning and Maintenance Supplies Distributors who provide a range of support services and products.

This article contains a summary of what independent fast food restaurant decision makers believe is important in their selection of a source of food service disposables and cleaning and maintenance supplies.

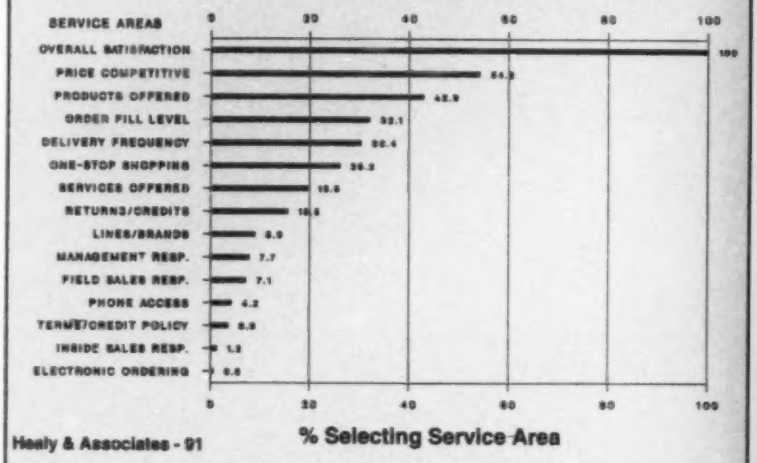
There are two dimensions to the notion of service. The combination of importance scores and performance ratings map out the "Service Dimensions." One dimension of service deals with what is important to fast food restaurant accounts—their "decision criteria." And the other is the performance of each type of source, (Paper Merchant, Foodservice Distributor, or Cleaning and Maintenance Supplies Distributor), compared to the other sources being used. Perceptions of a source as the high-quality provider result when the company receives high service performance ratings, especially on the elements which are most important to the customer.

In the NPTA National Study, "Perceptions of Fast Food Restaurant Decision Makers," both dimensions of service were measured. As a result, we were able to determine how Paper Merchants performed in relation to Foodservice Distributors and Cleaning and Maintenance Supplies Distributors. By linking the importance ratings reported here, with the performance scores, (as presented in the NPTA report), a clear picture emerges of those areas requiring corrective action and those which are areas of service excellence and competitive advantage.

The specific performance areas fast food restaurant buying influences were asked to rate are as follows: Range of Products Offered, Provides One-Stop Shopping, Delivery Frequency, Attention to Customer Service, Ability to Order Electronically (EDI), Terms and Credit Policies, Responsiveness of Field Sales, Lines (Brands) Offered, Handling of Returns and Credits, Competitiveness of Prices, Ability to fill Orders Completely, Ease of Access by Phone, Responsiveness of Inside Sales, Responsiveness of Management, Overall Responsiveness to Customer.

The Importance Dimension: As buyers, we all have a set of criteria and expectations which are used to judge suppliers. Some of these criteria are more important than others. The preferred source is the one that receives the

Figure 1. NPTA Fast Food Restaraunt Perceptions
Importance of Service Areas • To Fast Food Decision Makers



highest ratings, particularly on the most important criteria. Should several sources be rated equally on the "important" criteria, the one whose performance or reputation is more favorable on the "less important" performance areas, is likely to get a larger share of the available business.

The overall importance of each performance area is shown in Figure 1. Those performance areas receiving the largest percentage of responses have been defined here as the most important in a comparative sense. Overall satisfaction, then, is an expectation of 100% of the respondents. As can be seen by reference to Figure 1, 54.2% of the respondents said "Price Competitiveness" is important and 42.9% rated "Products Offered" as important.

The five areas most frequently cited by respondents as the "most important" to them in selecting and using a source are:

- Price competitiveness.
- Delivery frequency.
- Products offered.
- One-stop shopping.
- Order fill.

The Importance of Personal Responsiveness: One of the most important, and yet underrated service elements concerns sales and service personnel, as is evident in **Figure 1**. Customers tend to take sales and service people for granted. In some instances, customers do not even know what services these personnel provide or coordinate on their behalf.

Thus, although the ratings reported here may suggest that nonpersonal service areas are more important than human responsiveness, that is not the case at all. People still are, and will remain, the key ingredient in effective service strategies. Systems and automation provide the support and speed that complement and enhance human responsiveness, but for many areas of the business, human contact is critical.

One of the major marketing challenges to be tackled in building a service strategy for fast food restaurants is to educate the customer about the services available and to stress the benefits derived from dealing with motivated and customer sensitive sales and service personnel. Customers need to be reminded that it is the combination of capable, customer-oriented people and responsive systems that creates and delivers the services that customers value.

The fundamental questions to be addressed are, "What is the most customer satisfying sales and service team?" and "What must be done in terms of systems, organization and personnel to dramatically increase Paper Merchants' sales/service effectiveness with independent fast food restaurant accounts?"

Doing It All For Them

There is no question that measurable, consistent service delivery is the deciding point in determining who gets the business at fast food restaurant accounts. Today, the goal of every Paper Merchant is, or should be, to deliver Total Customer Satisfaction (TCS)—at a profit.

There are substantial opportunities for those who can deliver Total Customer Satisfaction to fast food restaurant accounts—and equally large threats for those who fail to respond. Being on the outside of a business relationship will become increasingly difficult to remedy as these working partnerships become objectively defined, measured, and rewarded, based on service performance. These new linkages or Strategic Service Partnerships are likely to be far stronger and more enduring than anything in the past. This is evident in those situations where Foodservice Distributors smother their accounts with service.

Organized Around Delivering TCS

The service-oriented Paper Merchant is organized around delivering TCS and more specifically around the "moments of truth" that occur as the customer moves from point of initial contact to use of the products and services of the company. Leadership and organization have much to do with the way in which people and systems are linked together; and with the flow of information, not only within the company but between the organization, its customers and its suppliers.

There are four basic ways paper Merchants can improve the working relationship with fast food restaurant accounts; namely, through helping them achieve the following:

- Save time.
- Eliminate unnecessary tasks.
- Cut costs/increase profits.
- Provide information.

Those Paper Merchants who can sense and respond to these increasing service demands will be given abundant opportunities to demonstrate their capabilities. At the same time, they will be challenged to do so at the lowest possible cost. Achieving a position of high service without striving to have the lowest operating costs is pointless, as is the reverse situation.

Not only is it important to anticipate and respond to customer expectations; also one must do so in such a way as to be differentiated from competition. Competitive advantage comes from offering more and/or doing it for less; i.e., leveraging the service offering. Clearly, the real winners then, are those who are able to identify and serve market niches extraordinarily well—in highly efficient ways.

To effectively serve the independent fast food restaurant, PMs must carefully evaluate their position in the specific markets they serve. Recognizing that the FSD enjoys a strong position in many market areas, particular attention should be given to the following:

- Identification of the decision makers and buying influences in each target account.
- Determination of account perceptions of the service performance of the principal sources of Foodservice disposables and cleaning and maintenance supplies.
- Targeting of service development activities on providing timely delivery, "one-stop" shopping.
- Concentration on those accounts using CMDs and those using multiple sources.

The old saying "Don't waste time and money trying to fix something that isn't broken" makes good sense, as does the other side of the argument, which is "Find out what needs fixing and make it right." MN

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SPECIAL SECTION

The Envelope Industry In the 1990s

Despite a cautious beginning, the outlook for the envelope industry in the mid to late 1990s is optimistic.

The envelope industry began the 1990s cautiously. Weak margins experienced by manufacturers of envelopes in the latter part of the 1980s declined even more with the 1990-1991 recession, ever-widening production base of high-speed efficient machines, competitive communication media, and the 1991 postal rate increase. Consequently, a normal process of the "weeding out" of marginal producers in times of economic change began again.

However, the outlook for the envelope industry in the mid to late 1990s is optimistic. As the economy grows out of the recession and the direct mail industry takes advantage of the work sharing discounts offered by the Postal Service, envelope sales are expected to grow about 4% annually.

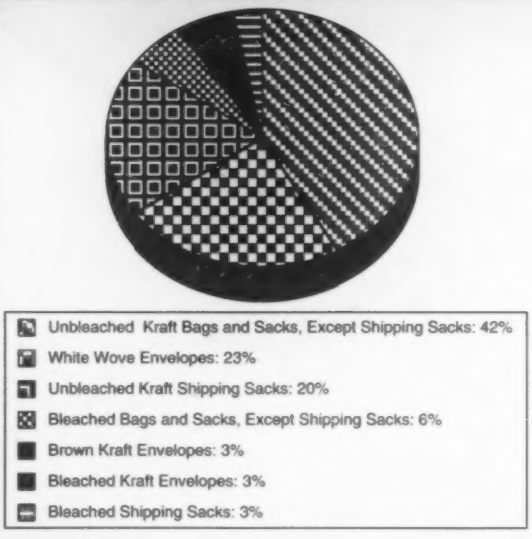
Some of the changes that are foreseen for the envelope industry in the 1990s are:

- A smaller number of envelope companies as marginal producers are closed or merged.
- Companies will tend to be either large integrated ones or small specialty product concerns that manufacture short run, high-value-added products.
- Traditional resale companies may turn more to the direct marketplace as the overall demand growth slows and as the custom product lines normally handled by resale companies lose their market value.
- Even more emphasis will be placed on envelope sales staff to be specialists in postal automation regulations to help customers save postage on their mailings.
- Envelope manufacturers will continue to take a major role in meeting customer and environmental demands for recycled envelope products.

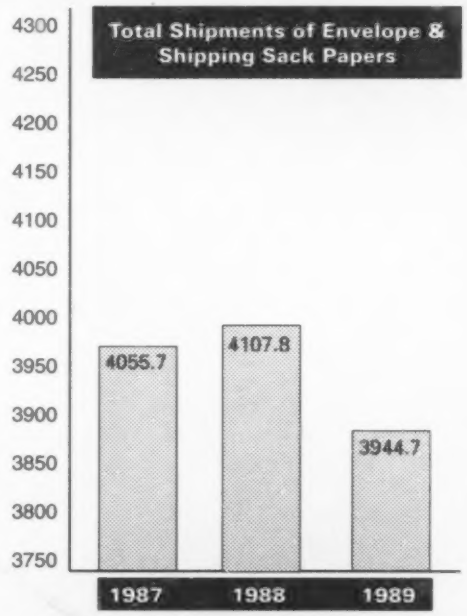
The envelope industry, valued at $3.2 billion in 1990, is a relatively small one but one whose product is a reminder of continued strength and stability. Though there have certainly been many wonderful innovations in business communications, the envelope has withstood the test of time.

Based on an article by Maynard H. Benjamin, CAE, executive vice president, Envelope Manufacturers Association of America.

Total Shipments of Envelope & Shipping Sack Papers: 1989


Unbleached Kraft Bags and Sacks, Except Shipping Sacks: 42%
White Wove Envelopes: 23%
Unbleached Kraft Shipping Sacks: 20%
Bleached Bags and Sacks, Except Shipping Sacks: 6%
Brown Kraft Envelopes: 3%
Bleached Kraft Envelopes: 3%
Bleached Shipping Sacks: 3%

Source: American Paper Institute



Source: American Paper Institute

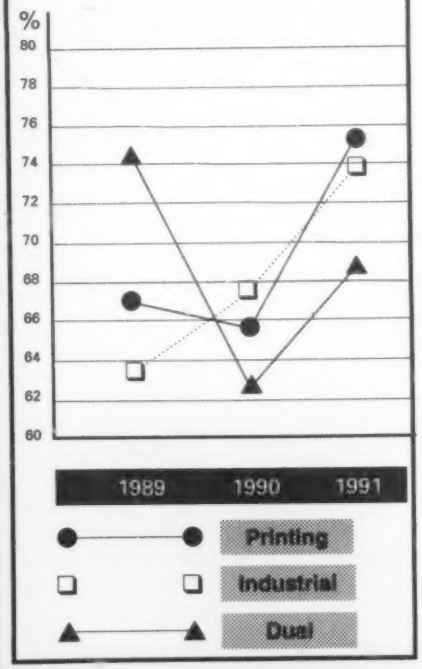
All Indicators Up On *MN* 'Joy of Working' Scales

After a serious decline last year, mostly evidenced by those working at dual houses, this year's report is a lot more encouraging— especially among employees of industrial paper and plastics houses.

By William H. Frohlich, Publisher

The paper, plastics, and allied products distributor industry has shown its strength even more so this year in *MN*'s annual "Joy of Working" survey. Respondents made it clear that they like working in this business. Is this news to anyone? No, but there are some interesting changes taking place within the various groups surveyed.

Graph 1
Joy of Working (All factors)
(% giving positive responses)



Record Participation

This year, 324 usable responses were received from printing paper, industrial, and dual distributors who read NPTA *Management News*. This is up 14% over last year. The survey was mailed at random to 1,100 readers in April this year, yielding a hefty 30% response rate.

Of those responding, approximately half worked for dual houses, a quarter in printing paper distribution firms and a quarter in industrial. Upper and middle management represented 55% of the responses, 37% were in sales, and 8% in support personnel. A total of 42% worked for companies with fewer than 100 employees. All of these factors were consistent with the "Joy of Working" survey samples used in the past three years.

What Puts the "Joy" in Work?

There are many ways to look at job satisfaction. The *MN* survey analyzed the "Joy of Working" in 11 component parts. These naturally group together into five general areas of satisfaction:

A. Basic Job Enjoyment
- 1. Basic enjoyment of the job.
- 2. Plans to stay or leave.

B. Performance/Reward
- 3. The sense that your performance is rewarded.
- 4. Expectations for job advancement.
- 5. Satisfaction with your compensation package.

C. Company Pride
- 6. Pride in company—generally.
- 7. The sense of sharing in the company's success.

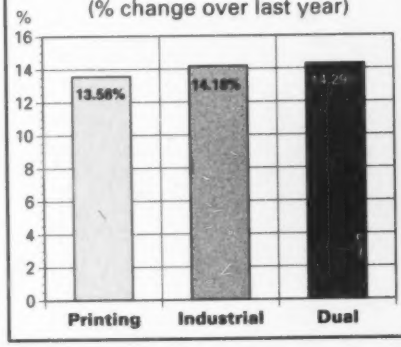
D. Perception of Supervision
- 8. The sense that expectations are known.
- 9. The sense that company information is being shared by supervisors.
- 10. The sense that teamwork is encouraged.
- 11. The sense that supervisors are approachable.

E. Overall Average of All Factors

Basic Enjoyment

Although all 11 factors individually hint at how much someone likes his or her job, when asked to rank how much they enjoy their jobs, 77% of those responding said they did. This is an increase from last year's ranking of 74. And if you're basically happy, you're probably not going to change jobs. Only one out of six people questioned said they were likely to take a new job in the next three years. This is down significantly from last year when nearly one out of four said they would probably be changing jobs.

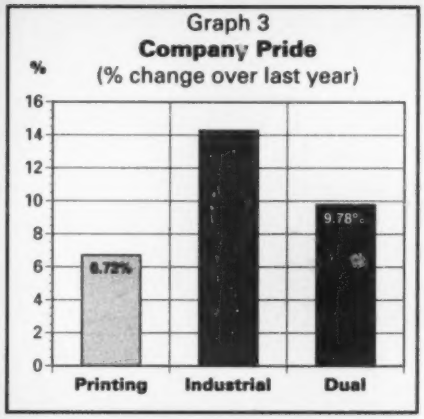
Graph 2
Performance/Reward
(% change over last year)

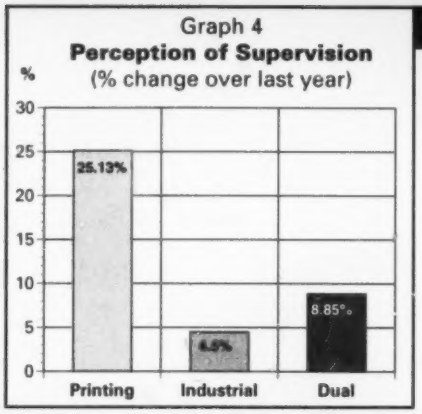


When all 11 factors are averaged for each of the past three years, the results are interesting (see Graph 1). You can see that the steady growth winners are those working for industrial paper and plastics distributors. Actually, all distributor groups came back strongly.

Performance and Reward

This year is quite different from last. In 1990, dual distributors showed a steep





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decline in their acceptance of compensation arrangements and their perceptions that their performance was being noticed and that job advancement was possible. This year, all groups felt much more secure, especially duals, in their performance-recognition-reward equation (see Graph 2).

Company Pride

Those surveyed were asked how proud they were of their companies and if they felt that they shared in their company's success. Last year, industrial was the only group showing increased pride. This year, all groups were up significantly (see Graph 3).

Perception of Supervision

The survey asked industry people to tell if their supervisors are approachable, if they share company information readily, if they encourage teamwork, and if they express clear expectations of their employees. Here again, only the industrial group showed improvement last year. But this year was different. All groups improved—with industrial showing the smallest increase (see Graph 4). The big winner was printing paper distribution employees. The management, evidently, really got its act together, and it was noticed by the employees.

Conclusion

Why are people more happy now than they were 12 months ago? Certainly, things in the industry have not gotten better! Companies have had to tighten their belts further.

The answer may be that in tight times people are happy to be working. In addition, companies may have been able to tell their people, "We're all in this together." In tough times, there is a greater feeling of camaraderie in the work environment.

What should not not be overlooked in all of this is the overall growth in how industrial paper and plastics employees feel about their companies. Over a three-year period, they had the greatest increase in satisfaction levels of any group.

What is the outlook for next year? Read the July 1992 issue of *MN* to find out. MN

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MN
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1991 NPTA Convention will focus attention on the best distributor programs and distinguished service to the industry of member companies.

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Cover photo: Courtesy of New York Racing Association/Bob Coglianese, Jamaica, New York

Dual Paper Merchants 'Nose

By George W. Cain
Director of Research
National Paper Trade Association

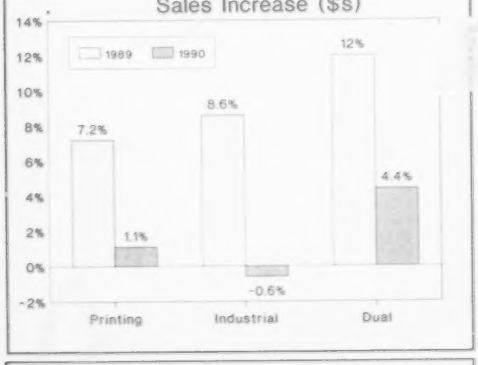
Dual merchants "nosed out the competition" on many measures in NPTA'S 1991 PAR (Performance Analysis Report), and printing merchants were the "also rans" for the first time in the past several years.

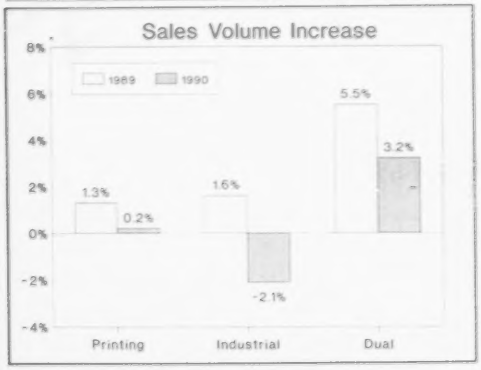
PAR is a confidential annual operating survey provided through contract with Management Foresight, Inc. (MFI) of Columbus, OH. NPTA's 56th annual PAR shows 1990 as the most difficult year for paper merchants in some time.

SALES CHANGES

Sales increases dropped substantially from 1989 to 1990. The first graph shows dollar volume changes; the second shows volume change by adjusting sales changes by changes in producer prices. Please note that sales have continued to drop during 1991; see the DataBank page at the back of the magazine for 1991 sales changes. (See Table 1.)

Table 1
Sales Increase ($s)

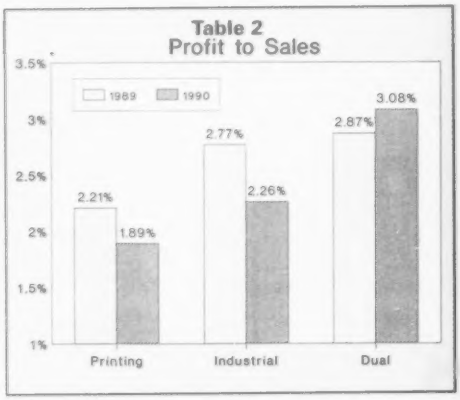




PROFIT TO SALES

Net profit before taxes to sales clearly shows the success of dual merchants in 1990, as they were the only group with an increase on this measure, and printing merchants were well below the other two groups for the second year in a row. (See Table 2.)

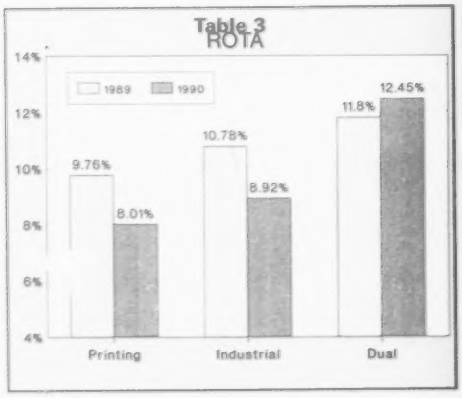
Table 2
Profit to Sales



PROFIT TO TOTAL ASSETS

ROTA (Return on Total Assets) is the most powerful of the profit model measures in PAR. Again, the dual merchants showed the only increase, and both printing and industrial merchants lost ground. Industrial merchants remained second, and printing merchants had their worst year on this measure since NPTA began using MFI for the annual operating survey. (See Table 3.)

Table 3
ROTA



RETURN ON NET WORTH

Return on Net Worth is the third of the profitability measures in the PAR profit model. Dual merchants, highest in 1990, were the only group to improve over 1989. Industrial merchants dropped from 1989's highest performance but remained ahead of printing merchants, who also decreased. (See Table 4.)

EXPENSES TO GROSS MARGIN

Again, dual merchants seemed best able to manage the crucial area of expense control. This may well be the primary source of their dominance on the three profit model measures in the PAR profit measures used by MFI. Their 1990 performance was the best they have achieved in 10 years. (See Table 5.)

INDUSTRY MEASURES

PAR filers range in size from companies under $1 million in size to divisions of larger companies over $500 million in size. In 1991, over 200 forms were sent to MFI, representing just under 50% of the total U. S. printing volume and just over 20% of the total U.S. industrial volume. MFI provides each participating company a detailed report comparing the company's performance to the performance of several groups in the industry. NPTA receives only the industry results, not reports on individual companies. The various tables, including Table 6, were based on industry com-

Out Competition' in Report

NPTA's confidential 1991 PAR (Performance Analysis Report) shows gains by dual merchants on the basis of many measures. The report also shows 1990 as the most difficult year for paper merchants in some time.

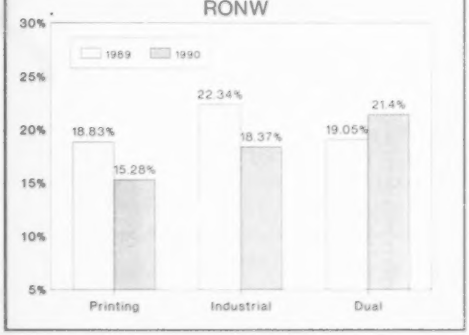
posite performance, which is a special sales-weighted average. This is the best way to analyze year-to-year changes in the industry.

COMPARISONS

The heart of PAR is comparisons. PARs have other performance comparisons designed to let each company compare its performance to several different industry groups. Companies see lower quartile, median, and upper quartile performance on these different industry groups. Medians are when half the companies scored higher and half lower; quartiles are when one fourth scored either lower or higher. The groups are:

Table 4

RONW



- Merchant types: printing, industrial, and dual.
- Sales volume groups: one of four sizes for printing firms, five for industrial, and four for dual.
- Sales path (percent of direct sales): one of four groups for printing merchants and three for dual. Industrial merchants who do not list any industrial specialization also have three possible sales path groups.
- Industrial specialization groups: food service, industrial packaging, retail/matched packaging, janitorial equipment and supplies, and a general "full-line" group for generalist industrial merchants.
- Regions: nine regions and a general multiple region group.

The sales volume and sales path groupings within the three merchant types are revised periodically to keep approximately the same number of firms in each sub-category. Merchant types, regions, and industrial specialization depend on the numbers of filers. Dual merchants have typically constituted about 15% of filers, with printing and industrial merchants dividing the remaining 85%. Regions 7 (Southwest) and 9 (Pacific Northwest) have traditionally been the smallest filing regions. Full-line merchants have been the largest industrial specialization group with industrial packaging the second largest.

PROFITABILITY GROUPS

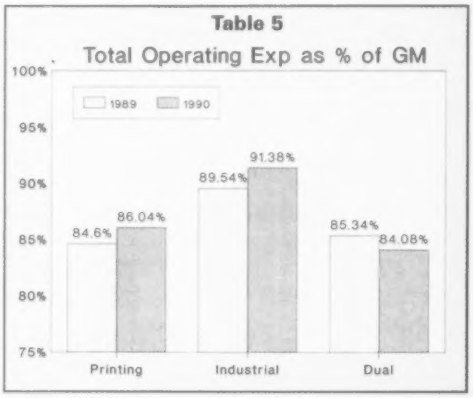
Overall industry profitability was the primary focus of the tables in this article. PAR participants can also compare their company's performance to three profitability groups in their merchant type (printing, industrial, and dual). ROTA (Return on Total Assets) is used to develop a low-profit group, a middle-profit group, and a high-profit group. MFI then analyzes each PAR measure to develop the performance on that measure of the low, middle, and high-profit groups. Participants, especially those who are not in the high-profit group, can perhaps see from this comparison why they are not profitable.

Characteristics of high-profit groups change somewhat from year to year, but the following paragraphs highlight some of the 1990 ROTA profitability group factors. The areas mentioned are not the core profit measures, but other operating ratios which seem to go along with profitability.

- Warehouse and indirect sales as a percent of total sales; this measure was related to profitability for printing merchants only.

Table 5

Total Operating Exp as % of GM



- Average warehouse and indirect order size; for printing merchants, the more profitable firms actually had a lower order size.
- % of increase in printing paper direct sales. For dual merchants, increases were related to profitability, but for printing merchants were related to lower profitability.
- Direct printing sales as a percent of all printing sales; for dual merchants a higher percent was related to higher profitability, while for printing merchants there was no relationship
- Direct gross margin; only for the dual merchants did profitability seem to go along with higher direct margins.
- Industrial product inventory levels; lower inventory levels were definitely related to profitability for industrial merchants, but not so definitely for dual merchants.
- Sales per cubic feet of warehouse area were higher for the high-profit groups of all three merchant sectors.
- Office and sales services expenses; the high-profit group for all three merchant types spent a lower percentage of their gross margin dollars in this area.
- Total data processing expense as a percent of gross margin; for printing mer-

Effective January 1, 1991, the Board of NPTA changed policies on distribution of information from NPTA's research programs. Only participants can now receive detailed results. The three programs are:

- *Monthly Sales Report*
- *QBCR Quarterly Report*
- *PAR Annual Report*

For the monthly sales report, only filing companies can receive the actual sales report with region-by-region data.

For the QBCR quarterly report there was no change. Only participants had been receiving detailed data.

For PAR, only participating companies can receive the types of detailed data formerly included in Paper Merchant Performance.

Firms can still file for PAR. Additional filers for the monthly sales report are happily accepted, and NPTA can add additional companies to the QBCR quarterly report.

If your company wishes to get more information about any of these services or to begin filing for them, call, write or FAX George Cain, NPTA's Research Director.

chants, spending more seemed to relate to profitability, but for industrial merchants it seemed to relate to less profitability.

- Warehouse and delivery expense as a % of warehouse and delivery gross margin; all three low-profit groups were high on this measure.

PAR-A TOOL FOR CHANGE

Profitability groups and the other PAR comparisons are most valuable when company management uses the results to make changes that will improve profitability. Sometimes changes can be as small as slight improvements in warehouse management, but sometimes changes needed could be as significant as making a major change in company management or marketing techniques.

CONFIDENTIALITY

No company data can be released to anyone except representatives of the company. This year brings even further restrictions in the use of the data from PAR. In the past a few sample comparisons have been published in Paper Merchant Performance, a 60-page summary of results from PAR. Paper Merchant Performance has been replaced with a more limited recap of current year data, and this will be mailed to PAR participants only.

ARTHUR ANDERSEN AND PAR

1991 was a year of major changes for NPTA's PAR. The most dramatic was the purchase of Management Foresight, Inc., by Arthur Andersen. Steve Samek, who has worked with both NPTA and NAW (National Association of Wholesalers) was the lead partner in negotiating the purchase. Patrick W. Dolan is the other partner involved with the management of MFI, and Rick Prohammer is the third new MFI staff person. Rick is the actual on-site manager. Interestingly, all three happen to have been successively the local audit manager for at least one NPTA member paper merchant. The transition went very successfully. Virtually all operating staff of MFI remained, and the joint NPTA-MFI plans for 1991 were carried out well.

HARD DEADLINES

Deadlines for 1991 were moved up and a decision made to adhere firmly to these deadlines. As a result, both early "Flash" reports and the regular reports were out substantially earlier. This adherence to deadlines brought a different result than anticipated. NPTA's staff and Management Information Committee expected to see a drop in filing by smaller members, but this really did not occur. However, several larger firms with combined sales of over $1.5 billion turned out to be the companies which missed the deadline and had to file late to get their PARs.

PAR EARLY REPORT

MFI's 1991 "Flash Report," received by participants in early April, was an improved version of NPTA's early report of past years. The Flash Report included roughly 65% of the final PAR volume and provided more than the preliminary industry numbers included in the 1990 early report. The Flash Report for each early filer included that company's performance ratios. In addition, Steve Samek included an interpretive page about the results of the early report.

SIMPLER FILING

Filing was easier in 1991. The Ease disk-based questionnaire was improved, the regular questionnaire was made smaller and simpler, and the short questionnaire was reduced to a two-page form. In addition, NPTA provided several participants with a "Lotus" file to assist them in making expense allocations. MN

1990 Industry Group Performance

	Printing	Industrial	Dual
Sales Change over Previous %	0.09	-0.61	4.43
NPBT as a % of Net Sales	1.89	2.26	3.08
Net Sales to Total Assets	4.22	3.92	4.06
NPBT as a % of Total Assets	8.01	8.82	12.48
Total Assets to Net Worth %	1.74	2.05	1.72
NPBT as a % Net Worth	15.28	18.37	21.40
Return on Capital Employed %	13.44	15.51	20.02
Whse & Ind Sales % of Total	49.25	81.49	62.10
Warehouse Gross Margin	21.42	24.16	21.79
WH & Ind Gross Margin	21.23	23.78	21.42
Direct Gross Margin	5.85	14.25	8.27
Net Sales per Employee $000	609.18	276.49	469.55
GM per Employee $000	79.03	60.81	77.62
Total Operating Exp as % GM	86.04	91.38	84.08
Payroll as a % Gross Margin	47.52	55.04	47.84
Sale Service & Selling Exp %GM	38.32	39.29	35.74
Inventory Turns - WH	5.20	7.54	5.73
GM Return on Inv. - WH only %	140.03	235.59	157.60
GM Return on Inv. - WH & Ind %	155.80	238.81	168.97

Distributors Proactive In Environmental Area, Reports New Study

NPTA commissioned a study of paper and plastics distributor attitudes regarding the environment and its impact on their particular marketplace. The study, conducted for NPTA by Healy & Associates, was completed in May. The results give readers a better understanding of where the industry is heading on the environmental front.

No issue has attracted more attention than the environment–both from the merchant's point of view as well as his supplier's perspective. The bandwagon was built quickly, and in the past year all have climbed aboard.

But, at what speed is the wagon rolling through the industry?

NPTA wanted to find out and decided to poll its members this past spring. A survey was crafted by NPTA working with Healy & Associates. It was designed to help company people understand the length, breadth, and depth of the environmental movement within this industry.

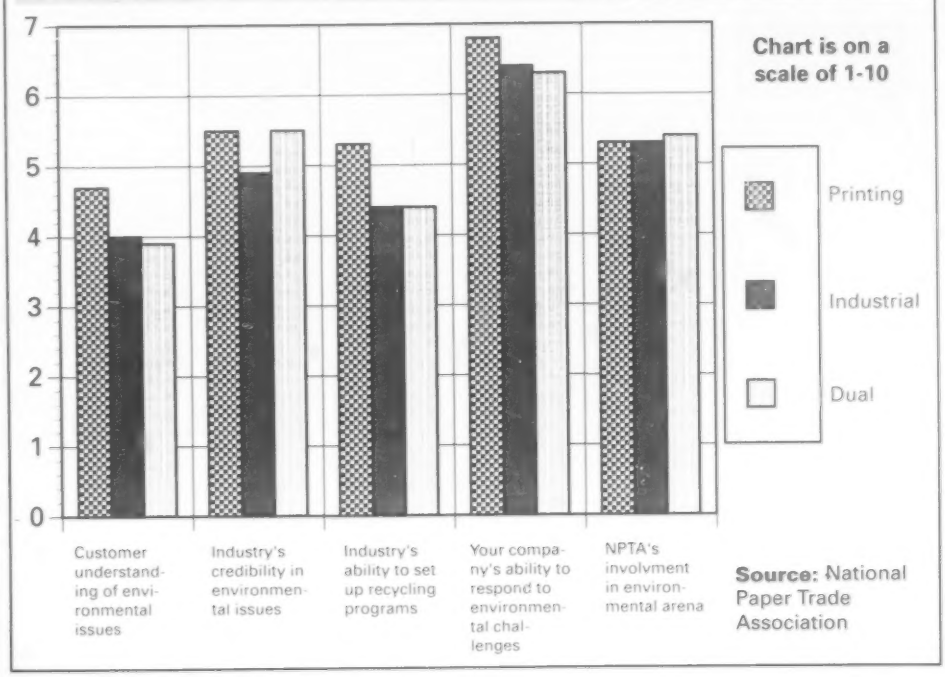
A sample of 115 companies provided input, and their thoughts statistically represent the entire industry, reports Healy. Seventeen detailed questions covered the environmental issues facing distributors today. In addition, members were asked to look two or three years ahead.

NPTA members were asked to report their current activities in the environmental area. Three out of four said that they do have programs for their employees and four out of five reported that they offer some type of program for their customers. More than one out of two said that they have held workshops for customers. Interestingly, nearly two out of three have started recycling programs for their own offices.

This is very significant. It shows how proactive distributors have become in the marketplace.

Members were then asked to rate specific aspects of the environmental issue on a scale of 1 -10 (1 being poor, 5 fair, 10 excellent). They reported that customers have a less-than-fair understanding of the environmental issue (4.1), and that the industry credibility on environmental issues is only fair (5.2),

Distributors' Ratings of Issue Aspects by Type of Distributor



Source: National Paper Trade Association

but that their companies' ability to respond to the environmental challenge was significantly better (6.5). (See the breakdown by type of distirubtor in the graph.)

When asked about formal programs that support their company people and customers, distributors showed that they are doing the best job educating their sales and service people about environmental issues and the impact these issues are having on the products they offer (6.7). They also felt that they weren't doing as good a job with customers (5.9), and were least active in approaching governmental agencies with their opinions on environmental issues (4.7). This, of course, is extremely difficult for all companies.

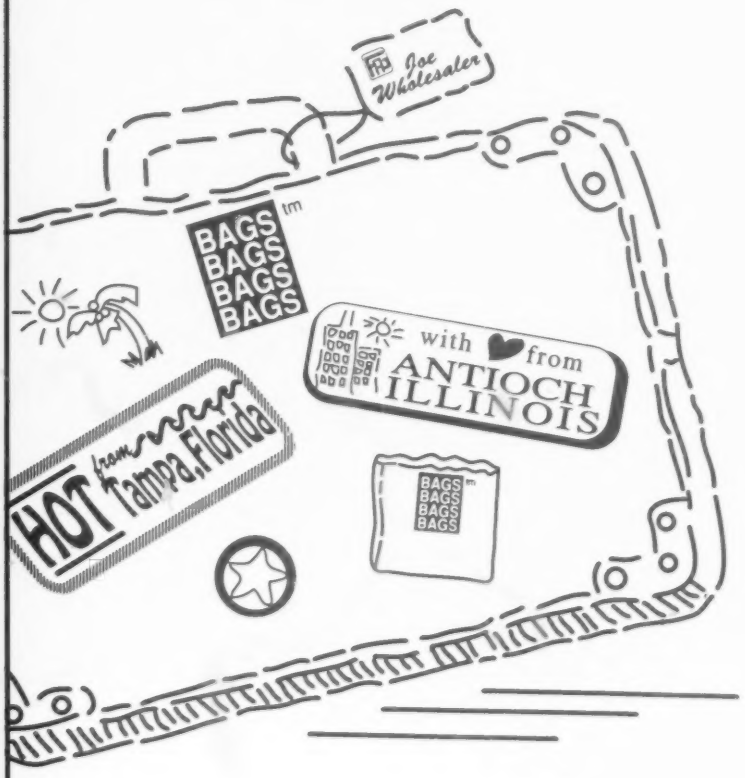
Supplier Involvement

NPTA members were asked to rate the quality of support that suppliers provided regarding the impact of their products on the environment. Distributors gave suppliers the highest marks for their brochures and technical information (6.2) and their demonstration materials, samples, etc. (5.6).

Unfortunately, suppliers received the lowest scores on their offering of technical service personnel with expertise on environmental issues (3.9) and providing workshops and training for the distributors' customers (3.4).

When asked about specific supplier programs of note in the environmental area, the top six suppliers mentioned were:

- ▲ Scott
- ▲ Simpson
- ▲ Dart
- ▲ Fort Howard
- ▲ Cross Pointe
- ▲ James River



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Environmental Resources for all Distributors

NPTA has been proactive in the environmental area for the past two years. The Solid Waste Action network (SWAN) keeps members informed of new developments and legislation, plus NPTA has created a board subcommittee to deal with policy direction on environmental issues.

The expanded coverage in MN has proved very helpful to members. The "Environmental Action" monthly column began over a year ago. In addition, MN created its special issue (April 1991) on "Paper, Plastics & the Environment" that also provided an additional 6,000 copies to readers to use with their customers. This will be continued in future years.

Plans are afoot to create an environmental newsletter for members that will begin publication in 1992. It is planned at this point to be in a form that members can use camera-ready and reprint with their company name on it to give out to customers.

As part of NPTA's new "Best of the Best" awards, an environmental award will be given for outstanding work in the field.

The top features of the best supplier programs that were identified by NPTA members included:

- ▲ Product design
- ▲ Literature/articles
- ▲ Training materials
- ▲ Recycled grades
- ▲ Promotional materials and brochures

Challenges and Opportunities

Every future scenario includes environmental concerns. All agree that these will be with the industry for many years to come. The most significant challenges facing the merchant community in the future, according to NPTA members, will be:

- ▲ Public education
- ▲ Recycling programs
- ▲ Environmentally responsible product availability
- ▲ Government regulations
- ▲ Landfill and disposal issues

The opportunities presented in the marketplace are also significant. NPTA members felt that they are uncovering environmentally friendly markets, recycled products will continue to thrive, that they can take the lead in educating customers, and they can gain some PR value from these activities.

NPTA's Role

Members of NPTA were asked about their Association's current activities and what it should be doing for members in the environmental area. Members felt NPTA's role should be as an industry-wide clearinghouse of information on environmental material and legislation (7.9), and that of a leader in shaping legislation and government regulations (7.7).

What they also felt NPTA should do is to sponsor task forces on environmental affairs, sponsor programs (7.1), and develop and distribute materials (7.3). What members were less interested in was NPTA offering training programs for distributor sales and service personnel (6.3). (It was shown in the preceding material that NPTA members felt that they were doing a good job in this area themselves.)

Member Involvement

NPTA has its Solid Waste Action Network (SWAN). All companies interested in participating in SWAN who are not now active, should contact NPTA president John J. Buckley at 111 Great Neck Road, Great Neck, NY 11021. Member involvement helps support the entire industry. MN

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- ◆ Setting compensation levels
- ◆ Incentive compensation leverage
- ◆ Determining the right team
- ◆ Identifying performance measures
- ◆ Incentive plan alternatives

Session 3: Incentive Case Studies
- ◆ Linking sales representatives and the order desk
- ◆ Coordinating field sales and national accounts
- ◆ Linking sales representatives and customer service personnel
- ◆ Developing a corporate sales team: sales representative, order desk, customer service, specialist representative

Session 4: Implementing New Incentive Programs
- ◆ Requirements for a successful change
- ◆ Process for introducing a new plan
- ◆ Building consensus for change
- ◆ Training and communication related to plan changes
- ◆ Assessing the results of a new program

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Special Issue

Computerization And Technology

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COVER PHOTO: RICHARD CHESNUT

Distributor Computerization Takes Giant Step

According to a study just completed by Management News *magazine and National Paper Trade Association, paper and plastics distributors have grown significantly in the use of computerization and technology in their daily operations.*

By William H. Frohlich, Publisher, Management News

Ninety-seven percent of the paper and plastics distribution industry is computerized—at least to some extent. This, according to the results of the MN/NPTA study of industry computerization and technology usage, reveals a great increase in the level at which companies use computer systems in their businesses. Fifteen percent have been computerized for two to five years, the rest longer.

The "Computerization and Technology" study was conducted by *MN* and NPTA staff with the help of the consulting firms of Computer Solutions, Inc., of Rochester, NY, and Healy and Associates, Naples, FL. Survey forms were sent to a sample of 565 paper and plastics distribution company headquarters in July of this year. Of those companies sent forms, 180 usable responses were received—a 32% response rate. This significant response shows the interest in the subject and that the results are projectable to all paper and plastics distribution companies.

Survey Respondents

Approximately one-third of those responding to the MN/NPTA survey were presidents or CEOs of their companies, one-third were the head of computer operations, CFOs and CIOs, and the last third were "others." Half of those responding work for companies with less than 50 employees.

Printing paper merchants made up 18% of those responding to the survey, 54% were industrial paper and plastics distribution firms, with the rest being duals.

By size, 60% were companies with less than $25 million in annual sales; the rest had more.

Nearly two out of three of those responding represented companies with "no branches" or "one branch." Not surprisingly, this was swayed by the small industrial houses—41% of which had one branch or less. Half of all respondents had two or less people in their computer operation.

What They Have/Spend

The MN/NPTA survey first sought to find out what distributors currently have installed in their operations. The survey revealed that, on average, company headquarters have 20 computer terminals in their operations. Companies with branches averaged a total of 48 addition-

MN/NPTA Technology Survey
Expected Usage of Bar Coding & EDI Within 2-5 YRS

	COMPANY BUSINESS			LAST YEAR'S SALES			TOTAL
	PRINTING PAPER	INDUST.PAPER -PLAST	DUAL	<$10 MILL	$10-50 MILL	>$50 MILL	
BAR--WAREHOUSE BINS	70.0	61.1	62.5	51.6	69.0	70.2	62.9
BAR--ALL WAREHOUSE	73.3	61.1	72.9	51.6	74.1	74.5	65.9
BAR--BY SUPPLIER	56.7	53.3	62.5	38.7	63.8	68.1	55.7
BAR--FOR CUSTOMERS	53.3	48.9	58.3	41.9	55.2	61.7	52.1
EDI--FROM SUPPLIER	46.7	64.4	41.7	45.2	69.0	48.9	54.5
EDI--BY CUSTOMERS	46.7	51.1	31.3	46.8	46.6	38.3	44.3
EDI--FREE-STAND.PC	13.3	25.6	14.6	24.2	25.9	8.5	20.4
EDI--MAIN SYSTEM	56.7	43.3	45.8	41.9	48.3	51.1	46.7
EDI--DEDICATED LINES	16.7	21.1	18.8	14.5	29.3	14.9	19.8
EDI--3RD PARTY	26.7	27.8	25.0	17.7	37.9	23.4	26.3

al computer terminals outside of the corporate headquarters.

When asked their annual expenditures on all computer hardware and software, those surveyed revealed that about one out of three companies spent less than $10,000 each year, another one out of three spent between $10,000 and $50,000, and the rest, more. Significantly, about one out of five said they spend more than $100,000 per year. Most of this group, of course, were companies with over $50 million in sales.

The computer department operating expenses must also be factored in. The study found that about one in four spend less than $25,000 per year to operate their computer departments, 30% spent between $25,000 and $100,000 each year, with the rest spending more.

The study also looked at these issues by type of business to see if there were significant differences. As one might expect, half of the industrial distributors spend less than $10,000 each year on computer hardware and software and half spend under $25,000 per year on operating their computer departments. Certainly, this is due to company size. Also as expected, one-third of the duals spent over $100,000 on computer hardware and software, with half of them spending over $50,000 each year to operate their departments.

When asked how they divide their total expenditures on all technology among core areas, the survey revealed that 40% of all monies spent go for hardware, systems, and hardware upgrades; 36% was spent on software-related items; 6% on communications, networks and LANs, and 18% on personnel expenses.

Determining what distributors spend on all computerization and technology as a percentage of sales is not as easy as it sounds. In 1986, as part of the technology study conducted for NPTA by Arthur Andersen and Co., paper and plastics distributors revealed that they were spending, on average, about one-half of one percent of sales on all technology expenses. The Arthur Andersen research also showed that the average for all wholesale distribution (throughout all commodity lines) was about 1.5% of sales. This led to the conclusion that paper and plastics distributors had a lot of catching up to do.

Now five years later, paper and plastics merchants have shown that they are catching up. Printing paper merchants reported spending, on average, 1.3% of sales on all computer expenses; industrial distributors spent 1.26%, and duals, 1.14%. This is a significant change and indicates that merchants in this business are overcoming their slow start in the computerization of their operations, and that they are more focused on technology as a means to improve their operating efficiency.

Training the people involved in all aspects of the use of new technology is key. Respondents to the MN/NPTA survey

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showed that this area of training has become a growing part of their overall training budgets. One out of four of those responding are currently spending less than 5% of their training budget on technology training, nearly half are spending 5 - 15%, and about 1/3 spend over 15%.

System Usage

The survey revealed that paper and plastics distributors use multiple systems to accomplish their daily computer tasks. *MN* wanted to know what systems are in active use. (Because many merchants use more than one type of system, their responses add up to more than 100%.)

- The following shows what is currently being used:
  - Main Frame Systems, 31.5%
  - Mini Computer Systems, 54.8%
  - LANs, 10.1%
  - PCs, 61.3%
  - Lap-Tops and Portables, 16.1%
  - Workstations, 16.1%

In general, the larger companies were more heavily invested in most systems than the smaller companies, with the exception of "workstations," which were being used more heavily by the smaller companies.

As an example, the NPTA headquarters office, uses a mini computer system, a LAN, PCs, and two workstations.

Computer On-Line Linkages

MN wanted to know what kind of on-line linkages were in existence between distributors and suppliers and customers. Furthermore, it was desirable to find out if distributors planned to create more computer linkages in the future. Obviously, the larger companies had more linkages than the small companies, and the printing and duals had more than the industrial distributors with their suppliers, but the issue was being addressed by all distributors.

Currently, printing paper distributors are on-line with an average of 2.6 suppliers and 3.0 customers. Industrial distributors are on-line with 1.5 suppliers and 3.7 customers. Dual distributors are currently on-line with 4.3 suppliers and 6.4 customers.

When asked about the future, distributors seem confident that their growth in computer linkages will be exponential. On average, linkages with suppliers and customers are expected to grow by seven fold. The greatest growth is expected to be among industrial paper and plastics distributors and their on-line linkages with their customers in the next five years. They expect this to increase by 60 times! (For more on future prospects, see a later section.)

Bar Coding and EDI

No area of technology usage is hotter than bar coding and Electronic Data Interchange. The MN/NPTA research of the industry shows, though, that there is a lot more talk than action. Paper and plastics distributors were asked what ways they were using bar coding and EDI, if at all. Electronic Data Interchange (EDI) is much more widespread in its application than bar coding at this time, and larger distributors are more active in both areas than any others.

This table is an important one. First, it shows the differences between the types of distributors and company activity by size. Next, notice that the EDI interface level between distributors and suppliers for industrial paper and plastics merchants (2.2%) is far below that of the printing paper merchants (23.3%).

Then, note that the industrial distributors are far more active in EDI with customer linkages (26.7%). Smaller distributors, with sales of under $10 million, are very far behind the largest companies by a great deal. This represents a competitive disadvantage for the small merchants.

The prior Arthur Andersen research of the industry five years ago predicted that the smaller merchant could compete with the large companies if they increased their investment in technology. This is still true, but the smaller distributors do not seem to be taking up the challenge.

Satisfaction With Their Systems

One thing that the MN/NPTA survey wanted to uncover was the industry's degree of satisfaction with its computer technology. Survey respondents were asked to judge their own systems on a scale of one to 10, with 10 indicating the highest degree of satisfaction. Paper and plastics distributors gave an average rating of 7.5 when asked for their degree of satisfaction with their software systems. This is certainly positive and one would be safe in saying that they are "very satisfied."

The quality of their software vendor's update service was also judged by survey respondents. This received a slightly lower score of 6.8, but still showed a positive attitude. Their satisfaction with the training provided by their vendors was lukewarm—5.9.

Industry people were also asked to rate their satisfaction with specific software applications.

The following shows their ratings, again on a scale of one to 10:

- Warehousing Software, 7.2
- Truck Scheduling, 6.6
- Price Book Software, 7.2
- Software to Produce Catalogs, 6.8

In general, industrial paper and plastics distributors were happier than their printing paper and dual merchant counterparts.

Types of Equipment Used

Paper and plastics distributors were asked to name the type of hardware used in their operations. When asked to identify their mainframe or minicomputer system used, 41% of those responding identified IBM equipment. Qantel was next, with 12%, and Hewlett Packard, with 8%. Wang and NCR each had 6%, and Basic 4 had 5%. The rest were spread among (in no particular order) Data General, Prime, Unisys, Datapoint, Toshiba, Compaq, and others. For those using Local Area Networks (LANs), and there were only 7% of the distributors surveyed who said they had LANs, the most often mentioned equipment was Novell and IBM, which made up half of those responding.

PC usage showed a great variety of types of equipment, as one might expect. Most all of those were of the IBM type as opposed to Apple. The most popular were the real IBMs, with 70% of the paper and plastics distributor market.

Compaq was next, with 9%, followed by a great assortment of other names with smaller numbers.

Laptops are being used by a little over 12% of paper and plastics merchant companies. The most often cited makes were: Toshiba, with one out of three; Compaq, HP and Zenith with another third, and the rest, spread across a variety of 0ther units.

Workstations are currently being used by about 11% of those surveyed. IBM, Macintosh, and others make up the list.

Software Vendors Used by the Industry

Although the sample in this survey is significant, not every paper and plastics merchant in the industry answered. This means that the percentage of those using a certain software may not truly reflect the whole industry. (For a better understanding, contact each vendor and ask how many placements each has in this industry.)

The thing that may be surprising to some is that there are a great many software systems out there. One out of three of all responses identified a different supplier. In other words, it is highly unlikely that anyone else is using the same software that you are using. The most frequently identified vendor was CPI, with 13.4% of those responding. Next was Stanpak, with 11.3%, and Maytech, with 5.2%. After that were Distribution Resources, with 4.1%, and Cambar, with 3.1%. The rest were in the one to two percent range.

System Strengths

MN asked those surveyed to report what they liked most about their particular computer system. To summarize, one out of four of those responding said it was the order entry system that was the strongest part of their system. The percentages of responses identifying the strongest functions of their systems were:

- Order entry, 24.5
- Inventory control, 13.3
- User friendly/Menu driven, 11.9
- On-line/Integrated, 11.9
- Sales/Customer analysis, 10.5
- Customer item inquiry, 7.7
- Billing/Invoices, 7
- Accounts/General ledger, 7.0
- Pricing, 5.6

System Weaknesses

The weakness of any system may be something that is extremely important to the daily functioning of the paper merchant operation, or it may be relatively unimportant. The MN/NPTA survey did not ask how important the system weakness was to the company.

Nonetheless, the percentages of responses identifying the weakest functions of their systems were:

- Analysis/Reports/Spreadsheets, 15.2
- More Comprehensive/Integrated, 10.4
- Flexibility, 8
- Inventory Control, 8
- Changes/Updates, 7.2
- General Ledger/Accounting, 7.2
- More User Friendly, 6.4
- Response Time/Access Speed, 5.6
- Purchasing/Accounts Payable, 5.6
- Ordering, 4.8
- Documentation, 4.8
- Database/System Orientation, 4.0

Functions Computerized

MN wanted to find out how prevalent certain computerized functions were in the paper and plastics distribution industry. The following shows the complete list as derived from the research (by percentages):

ACCOUNTING FUNCTIONS

- On-line Accounts Receivable, 94.6
- On-line Billing, 94.0
- On-line Accounts Payable, 87.4
- On-line General Ledger, 80.2
- On-line Purchasing, 80.8
- Financial reporting, 78.4
- Payroll, 44.3
- Fixed Asset Records, 43.7
- Financial Modeling, 24.0
- Budgeting, 47.9
- Electronic Billing, 12.6
- Purchasing Management, 68.3

OPERATIONS

- On-line Inventory Control, 88.0
- Vendor Preference Analysis, 52.7
- Cycle Counting, 46.1
- Inventory Analysis Reporting, 83.2
- Electronic Voice Mail, 21.6
- Warehouse Management, 39.5
- Automated Warehouse, Storage/Retrieval, 14.4
- Telemarketing/Prospecting, 28.1
- Word Processing, 66.5
- mail Merge/Labels, 54.5
- Time/territory Management, 12.6
- Automated Freight Analysis, 9.6
- DOT Hazardous Material Information, 35.3

MANAGEMENT SYSTEMS

- Executive Information Support System, 40.7
- Strategic Modeling/Planning, 10.8
- Human Resources Records, 24.0
- Customer Service Preference Reports, 33.5
- Customer Service Records, 46.7
- Account Database Management, 47.3
- Customer Profitability Analysis, 77.8
- Product Line Profitability Analysis, 67.7

(Continued on page 31)

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- Customer Pricing Flexibility
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New Book Guides Distributors Through 'The Technology Maze'

"The Technology Maze" points the way through the tough, important issues surrounding technology and its use—today and tomorrow.

Just how important is technology, strategically and operationally, to the distributor of the future?

What benefits, proved and potential, might a distributor realize from various state-of-the-art technologies?

Why does technology work for some distributors and not for others?

What impact does technology have on a distributor's strategic planning, organization structure, and people?

Why does the wholesale distribution industry lag others in technology use and investment?

Now, a new book from Arthur Andersen, "The Technology Maze," guides distributors through the tough, important issues surrounding technology and its use in the industry—today and tomorrow.

"The Technology Maze" began as a desire to help distributors grasp the Why's, What's, and How's of technology.

Under the sponsorship of the National Association of Wholesaler-Distributors' Distribution Research & Education Foundation, Arthur Andersen surveyed more than 470 industry experts. The result is a clear, concise, and comprehensive study that shows wholesale-distributors how to:

- Overcome biases that keep them from using technology to its fullest potential.
- Evaluate the potential of state-of-the-market applications.
- Consider the organizational changes required to become a "distributor of the future."
- Find opportunities, function by function, for enhancing and improving the use of technology for business advantage.
- Determine which technologies are most applicable for their own companies and businesses.
- Appreciate the complex "people" issues surrounding technology and how specific management techniques can defuse resistance to change.

"The Technology Maze" does more than inform; it also instructs in a wide range of areas.

While the book pinpoints problems the industry has had in applying technology aggressively, it also provides solutions that each distributor can use in the business: practical techniques and tools for analysis, planning, and management, as well as case studies and examples of "best practices."

"The Technology Maze" is available for $90 from NPTA, 111 Great Neck Road, Great Neck NY 11021. MN

Distributor Computerization

(Continued from page 21)

- Customer Contacts, 49.7
- Sales Analysis, 93.4
- Sales Forecasting, 32.9

The Future

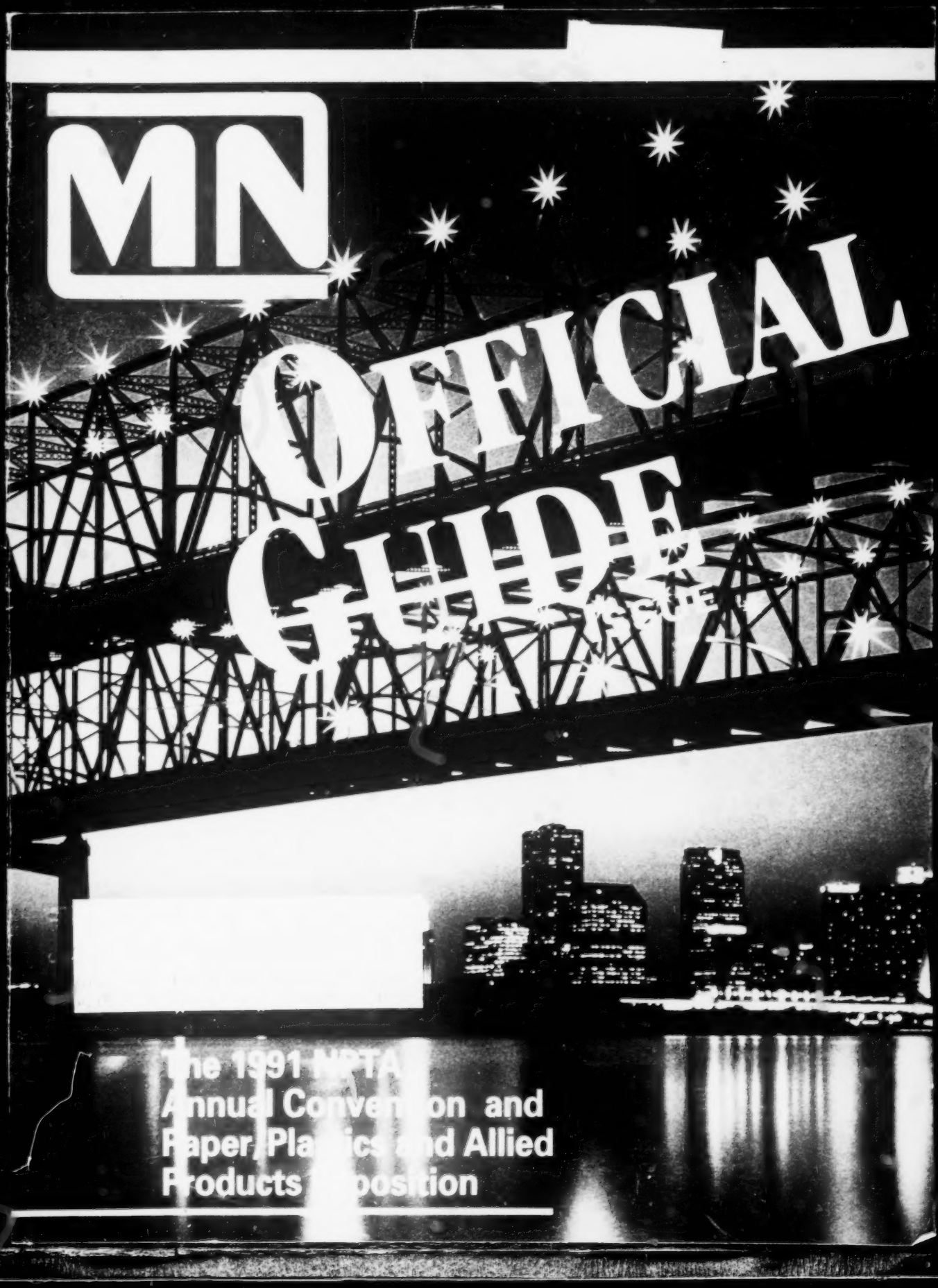
Paper and Plastics distributors were asked about their next steps in upgrading their computerization and technology within their operations. It was no surprise to find that bar coding and EDI made up over half of the responses. General upgrading of hardware and software made up nearly another quarter of the responses, and the rest were scattered across a great number of specific items.

When asked specifically about their plans for EDI and bar coding in the next two to five years, distributors reported that they will be very active. Approximately two out of three said that they wanted to add bar coding to their warehouse bins specifically, and generally throughout their warehouse operation. A little more than half said that they expected to have supplier bar codes on the goods they receive and expected to bar code for their customers.

Half of those responding expected to be on-line with their suppliers that they are not currently hooked up with, and almost half expected to be on-line with customers.

When identifying the problem areas in their technology and its implementation within their companies, one out of four distributors said that inventory control and management would be critical. Also identified as important were warehouse management, customer service, system integration, sales/profit analysis, operations productivity, pricing, and delivery/routing.

All were asked what NPTA should be doing in the technology arena to help member firms achieve their goals. Twenty percent reported that they need to be kept informed of technology trends. Another 17.4% said that they would like to have standardized bar coding (which has been accomplished on the industrial paper and plastics side by NPTA), and 15.1% reported the need for seminars and meetings on technological subjects. MN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INDUSTRY WATCH

Cincinnati Cordage Nears Centennial

The Cincinnati Cordage and Paper Co., "Cordage Papers," Columbus, OH, is gearing up for its Centennial Year in 1992. Three generations of ownership have brought Cordage through several recessions and the Great Depression of the 1930s. Cordage is proud of its 100th anniversary and plans to celebrate throughout the year to mark the occasion.

Cordage named two presidents in 1991: Lawrence H. Gray, Cincinnati division general manager for the past five years, and J. Franz Harris, Columbus, OH, and Huntington, WV, general manager, who has been with the company for 25 years.

The company saw the retirement of Dayton general manager and Cordage vice president James L. Zimmerman, who was succeeded as general manager by Tim A. McNew, formerly the division's sales manager. McNew has played an active role in training the company's salespersons.

Peter H. Loal joined Cordage in sales this year, bringing with him 23 years of experience in the paper industry. He is now part of Cordage's Publishing Division, which includes Ronald F. Reinstatler in Cincinnati, and Richard H. Philpot in the Nashville division. Loal operates out of Cleveland.■

Briefly Noted....

Cole Harford Co., a Kansas City-based redistributor of disposable paper and plastic foodservice products and sanitary maintenance supplies, has joined Redistributors of America, Inc., as a member. The national association represents leading distributors in the field....**Marcal Paper Mills**, Inc., Elmwood Park, NJ, has just added a Paper Converting Series 250 Rewinder to its operations. This new machine has double the capacity of the equipment it replaces with increased efficiency in the line. The new rewinder is part of the capital improvements being made by Marcal....**S. Walter Packaging Corp.**, Philadelphia, PA, has completed its eighth acquisition, the most recent being Lindley Packaging—store use division....**Printpapier U.S.A., Inc.**, San Mateo, CA, represents various mills in Europe and has targeted North America and Asia as its market. Printpapier U.S.A., Inc., has completely taken over the Paper Division of MF International Trade, Inc....**Lung Meng Machinery,** parent company of Asari Plastic Corp., Baldwin Park, CA, was recently recognized in the May issue of *Plastics World* magazine as being one of the leading extruder manufacturers supplying the U.S. market. The "Who's Who in Extrusion Machinery" identified top-ranking manufacturers on a global basis. Asari's new Baldwin Park facility is equipped with Lung Meng extruders, printers, and bag-making machines.

Strong Growth Seen For Packaging

U.S. demand for high visibility packaging will increase 9% per year to $5.3 billion and 21.7 billion units in 1995. Carded blister packs such as unit dose and tamper-evident pharmaceutical containers, and clam shell packages for the marketing of prepared foods will provide the best opportunities, with both segments growing 10.6% annually. Growth in this segment will be based on easier disposal requirements and the waste source reduction advantages of downsized containers.

The demand for windowed packages will advance 8.5% per year to $1.25 million, with existing applications growing steadily along with the population and lower plastic content favoring the expanding substitution of more environmentally friendly windowed packages for carded blister packs and clam shells.

Skin packages demand will increase 7.8% per year to $1 billion in 1995 due to gains in the primary packaging of consumer products less vulnerable to display and transport damage, and as secondary wraps for retail goods with strong barrier protection and tamper-evidence requirements. These and other key findings by project director William P. Weizer are included in a new report titled "Blister & Other High Visibility Packaging," published by the Cleveland-based research firm, The Freedonia Group, Inc.

A positive factor in high visibility packaging is the intensifying competition among producers of consumer products, which will lead to a rising use of distinctive packaging systems that enhance the perceived value of retail commodities and encourage impulse buying. The vulnerability of many consumer goods to damage or sabotage will propel manufacturers to broaden the use of containers that assure product quality and provide tamper-evidence. Efforts by medical professionals to improve the safety and accuracy of medication delivery procedures will create expanding demand for unit dose drug blister packs.■

US HIGH VISIBILITY PACKAGING DEMAND BY TYPE
(in millions of dollars)

Item	1990	1995	2000	% Annual Growth 95/90
HV Packaging Demand	3450	5300	7300	9.0
Carded Blister Packs	1150	1900	2750	10.6
Windowed Packages	825	1240	1650	8.5
Skin Packaging	695	1010	1395	7.8
Clamshell Packaging	350	580	820	10.6
Other HV Packaging	430	570	685	5.8

Source: The Freedonia Group, Inc.